cenit

FINANCIAL REPORT 2020

CENIT Key Data 2016-2020

in million EUR	2020	2019	2018	2017	2016
Total revenue	147.24	171.71	169.99	151.70	123.77
EBITDA	9.59	15.24	11,95	15,27	14,06
EBIT	3.63	9.20	9.03	12.84	11.85
Net income	2.92	6.96	6.13	8.99	8.15
Earnings per share in EUR	0.28	0.82	0.73	1.07	0.97
Dividend per share in EUR	Proposal: 0.47	0.00	0.60	1.00	1.00
Equity ratio in %	51.2	45.8	49.4	46.8	56.2
Number of employees	711	737	757	764	615
Number of shares	8,367,758				

Contents

PREFACE OF THE MANAGEMENT BOARD

Preface of the Management Board

Ladies and Gentlemen, dear Shareholders,

We have put the year 2020 behind us. It was a challenging year socially, economically and politically, and a year that for many was sometimes overwhelming. But it was also a time that taught us to continue to look to the future and be confident in our actions. There was a cold wind blowing throughout the year, and CENIT also felt its effect.
Although we cannot control the wind, we can set our sails accordingly. It was this fundamental idea that informed our actions in 2020. CENIT's management and entire team acted in unison, always with the objective of getting through a difficult period safely and healthily in every way. Looking back at the year as a whole, we can say with certainty that we succeeded in this objective. We are grateful and very proud.

Our fiscal year – a varied picture

2020 was quite a varied year in terms of the financial result of the CENIT Group.

Group sales in 2020 amounted to EUR 147 million, which is within the forecast range of EUR 145 million to EUR 150 million when adjusted for COVID-19. Admittedly, we were unable to match the prior-year sales level of EUR 171.7 million. However, this is a respectable result in view of the critical situation ensuing from the pandemic. EBIT at the CENIT Group developed more positively than last forecast. At EUR 3.6 million, EBIT is above the expected range of EUR 1.5 million to EUR 2.0 million. One of the reasons for this positive development is the rigorous cost management that CENIT decided upon and implemented at the beginning of the COVID-19 pandemic. Another is the very strong performance in the fourth quarter. The fact that the sale of CENIT's proprietary software accounted for a large portion of the rise in EBIT is particularly pleasing, and this is the case for all business units. Nevertheless, it was not possible in 2020 to attain the prior-year EBIT figure of EUR 9.2 million. Profitability is a target that we will be focusing on in 2021 and beyond.

The COVID-19 pandemic caused the whole world to stop and pause. This also became clear at CENIT's local companies, with France hit badly by the pandemic at the beginning of 2020. Despite these circumstances, however, the financial figures at our international locations developed in line with forecast and contributed approximately 44% to earnings.

What do we mean, then, when we speak about a 'diverse picture' in terms of financial figures? It relates firstly to earnings, which we consider to be robust in view of the very challenging macroeconomic situation. Secondly, these are proof of the solidarity of our global CENIT team, which displayed remarkable professional dedication in these difficult times and helped to shoulder the internal measures necessary to maintain CENIT's strength and agility going forward.

The third aspect in relation to our financial figures is that – unlike in the past – we could not improve our earnings in 2020. However, we are proud that we crossed the finish line with our team and without any redundancies in the particularly challenging year globally in 2020. This, too, is an important result. Because one of our most important principles is to ensure a working environment for our team that is reliable and healthy in every way. We would like to thank our team around the world for their loyalty to us even in challenging times.

Dependability – even in times of turmoil

A large portion of our client base are companies that operate in industries which had to overcome huge turmoil in 2020. Examples include the automotive and aviation sectors. At the same time, there are entire industries – such as digitalization, sustainability and electromobility – that are currently in the midst of the largest transformation in their history. This is what is happening at one end of the spectrum. The other is characterized by the reorganization of global value added networks and the effects of the COVID-19 pandemic. As a logical consequence, some of our customers had to refocus their priorities in 2020. Consequently, some of our projects had to be paused or postponed until 2021. We doubled down on efforts to use this time to continue to move forward with internal strategic and technical projects. We examined new possibilities and new industries for diversification, while also subjecting our existing portfolio to scrutiny.

Especially in 2020, we did important groundwork for setting the course for our long-term trajectory.
Among other things, this included a comprehensive relaunch of our high-performing software suite for Digital Factory, FASTSUITE E2. It also involved the further development of our integration solution, which also offers optimum conditions for linking the platforms of our partners Dassault Systèmes and SAP in the cloud. We developed a profile for our own range of services around the Design-to-Operate approach of our partner SAP, at the same time progressing with the refinement of the CENIT advisory approach SAP PLM Foundation.

Despite COVID-19, our Enterprise Information Management business division, with customers including numerous companies in the field of financial services, was able to continue its business activities almost without restriction throughout the entire year. This was also certainly due to the fact that the operational side of the financial services sector was less affected by the implications of the pandemic. Significant business deals with companies, such as one of the world's leading development banks in December 2020, were among the year's milestones in this area.

One of the important strategic and operational projects in 2020 was expanding CENIT’s presence in Asia, first and foremost in China. In light of the pandemic, however, we decided to postpone the opening of our location in China until 2021. This is because the safety of our employees is our top priority, also for this project. The preparations did continue, however, and came to fruition on 1 February 2021 with the official opening of the CENIT location in Suzhou, China. By founding CENIT Software Technology (Suzhou) Co. Ltd., CENIT intends to acquire more Chinese OEMs and manufacturing companies as Digital Factory customers and to participate more in the potential of the Chinese robotics market. There is a clear focus on activities relating to the CENIT software FASTSUITE E2.

A further milestone for CENIT was the changeover in CENIT’s Management Board. Matthias Schmidt, Chief Financial Officer at CENIT since 2013, stood down from the Management Board of CENIT as of 31 December 2020 when his contract expired. On behalf of the entire CENIT Group, we would like to take this opportunity to thank Matthias Schmidt for the outstanding work he did. We are full of appreciation for his contribution to the Company’s financial stability and steady continued development.

Dr. Markus Wesel officially became CENIT's new Chief Financial Officer on 1 January 2021. Dr. Wesel had already joined CENIT on 1 June 2020 and worked closely with Matthias Schmidt to prepare the transition in a sustainable and targeted way. On behalf of the CENIT Group, we wish Dr. Wesel every success in his new role!

2021 – Success does not happen by itself

We are starting the year 2021 with much optimism. However, this too will be a fiscal year characterized by hard work, as the pandemic continues to keep the world in a suspended state. For some areas of industry, like aviation and mechanical engineering, a speedy recovery is unlikely. At the same time, now particularly, countless companies are currently realizing the strategic importance of end-to-end digitalization for their resilience, for their long-term economic efficiency and their ability to survive into the future.

The significance of this trend as a clear opportunity for CENIT cannot be overstated. Our solutions for digitalizing and automating central processes in a company's value added chain are highly relevant for our customers' competitiveness. This will become more and more apparent in the future. We are conscious of this opportunity and are observing the market and consistently refining our product and consulting portfolio to continue to respond quickly, individually and flexibly to the needs of our customer companies. Our efforts go even further, as it is still our goal to be a trusted advisor to and enabler for companies undergoing a process of digital transformation – and to guide them to a successful outcome. Yet we are realistic, and we realize that 2021 will not see an immediate return to past investing habits or the level of orders to which we were accustomed.

To remain a strong partner at our customers' sides and take dependable action for our partner companies, we will continue to invest consciously and sustainably in CENIT's personnel resources in 2021. Our mutual interactions have always been based on the principles of responsibility, a collegial atmosphere based on partnership and the possibility to act with short decision-making paths and flat hierarchies. This approach has served us well in the past and will continue to do so in the future. To ensure this, we invest in continued professional and personal development measures for our employees. After the necessary pause in 2020, we will return to providing the full gamut of internal further education and training measures that the CENIT Campus offers to CENIT employees. We have also recommenced the Talents@CENIT program, which is a measure aimed at promoting core potentials at CENIT. Our commitment to providing training opportunities for young people remains as strong as ever. CENIT will once again welcome apprentices and students from universities of cooperative education ('Duale Hochschulen') in 2021. We see this as our social responsibility to provide reliable prospects for young people.

All of these activities are in line with CENIT's values as well as its Strategic Plan for 2025. An integral part of how we see ourselves and of our corporate objective is to safeguard the qualitative basis for our long-term, sustainable future as an attractive employer.

A clear view ahead

What drives us? Where do we want to go? These are questions that are all the more relevant after the challenging year in 2020. At CENIT, we can say with conviction that we continue to be in a strong position for our future course. We have safely navigated the risks and dangers of 2020 without losing sight of our CENIT 2025 goals, even in choppy waters. We have enhanced our professional, technological and personnel expertise and continue to build on this expertise consistently. Our actions continue to be guided by the objectives of the CENIT 2025 Strategic Plan: We endeavor to be the leading integrator for business processes on the platforms of our strategic partners Dassault Systèmes and SAP. Work is still under way on expanding our own software applications further. We remain an attractive employer and leading provider for digital process continuity.
We recognize that the key prerequisites for reaching these goals are financial stability, a strong team and the trust of our partners and customers in CENIT's expertise and excellence. As the Management Board, we will do everything in our power to continue to lay the groundwork for these future endeavors.

Reflecting on the year 2020, we want to take this moment to extend our special thanks to the people who stand by CENIT and make it strong, namely our employees, customers, partners and shareholders. We hope that you will continue to stand by our side and join us on our journey into the future of digitalization.

With best wishes,

Kurt Bengel
Spokesman, Management Board

Dr. Markus Wesel
Member, Management Board

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Dear Shareholders,

The coronavirus pandemic has dominated global events in the past fiscal year, and it is certain that we will continue to feel its impact well into the current fiscal year. The novel coronavirus COVID-19 left a considerable mark globally on virtually all areas in 2020. The German economy was no exception, experiencing the most severe economic downturn since the financial and economic crisis of 2009, with gross domestic product down 5%. It goes without saying that the coronavirus crisis also affected the business of the CENIT Group, meaning that the original sales and EBIT targets were not met. In 2020, CENIT Group generated sales of EUR 147.2 million and a related EBIT of EUR 3.6 million. We are nevertheless optimistic about the future and feel that the CENIT Group is in a strong position to master current and future challenges. Many companies and industries have now stepped up the pace of their digitalization and restructuring processes, and this will lead to major opportunities in the coming years – for the CENIT Group in particular.

In the past fiscal year, the Supervisory Board duly and conscientiously performed all duties to which it is obliged by law and the articles of incorporation and bylaws. We regularly advised the Management Board on its governance of the Company, carefully and continually monitored its conduct of business and in doing so satisfied ourselves as to the lawfulness, expediency and correctness of its activities. The Management Board directly involved the Supervisory Board in all decisions of fundamental importance to the Company. In the Supervisory Board meetings, the Management Board informed us orally and in writing in a timely and comprehensive manner on all relevant aspects of business strategy and enterprise planning, including financial, investment and personnel planning, the course of business and the financial situation and profitability of the Group. The reports from the Management Board also examined the risk situation as well as risk management and compliance matters. We were always informed in good time of variances between the business planning and the actual course of business.

Before the meetings, all members of the Supervisory Board were each provided with comprehensive written reports by the Management Board, excerpts from company documents and in particular documents from the accounting department. Based on these as well as other information requested by the Supervisory Board at and outside of the meetings, the Supervisory Board was able to carry out its supervisory task in a due and timely manner.

Outside of the meetings, the Management Board kept the Supervisory Board constantly informed of the key performance indicators by providing monthly reports, and duly presented for our consideration such matters as required the approval of the Supervisory Board. The reports by the Management Board on the business situation and presentations on special matters of interest were supported by written presentations and documents; these were duly provided to each member of the Supervisory Board before each meeting. The collaboration between the Management and Supervisory Boards is characterized by respectful and trust-based cooperation and an open and constructive dialog.

Over the past year, the Supervisory Board held seven regular meetings and one conference call for detailed discussions on the economic situation, the strategic development and the long-term positioning of the CENIT Group. With the exception of one meeting where the employee representative on the Supervisory Board was absent, all members of the Supervisory Board participated in each of these events. In its own estimation, the Supervisory Board has an appropriate number of members who maintain no business or personal relationships with the Company or members of the Management Board that could give rise to a conflict of interest. As in prior years, the Supervisory Board did not consider it necessary to form committees in view of the low number of members on the Supervisory Board. During the reporting period, no conflicts of interest arose on the part of members of the Supervisory Board.

Matters addressed by meetings of the Supervisory Board

The Management Board provided information on the development of sales and earnings in the CENIT Group to all meetings of the Supervisory Board held during the reporting year 2020. Additionally, it explained the course of business in the individual business segments and reported on the assets, liabilities, financial position and performance. In this context, the Supervisory Board placed particular emphasis on potential consequences for risk and liquidity management.

At the first meeting of the year on 16 January 2020, the Supervisory Board mainly discussed the Corporate Governance Code and agreed on the Declaration of Conformity for the fiscal year 2020. The meeting also involved discussions and resolutions concerning the Digital Factory Solutions (DFS) business division.

Financial reports / audits

During its balance sheet meeting on 20 March 2020 and in the presence of the auditor/group auditor, the Supervisory Board considered the Company's annual financial statements. The annual financial statements of CENIT Aktiengesellschaft and the consolidated financial statements for the fiscal year 2019, both prepared by the Management Board, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed auditor at the ordinary General Meeting of Shareholders on 24 May 2019, including the accounting and the management report and group management report. In particular, and in detailed discussions with the Management Board and the auditor, the Supervisory Board reviewed the annual financial statements and consolidated financial statements presented as well as the management report and the group management report, also taking underlying accounting policy into consideration. On the basis of the audit reports and in individual discussions, the Supervisory Board further considered the results of the audit of the annual financial statements. The Supervisory Board was satisfied that the audit and the audit reports fulfilled the requirements of Secs. 317, 321 HGB. The financial statements for 2019, prepared by the Management Board and on which an unqualified audit opinion was issued by the auditor, were conclusively reviewed one week later on 27 March 2020 for reasons of timing. On 27 March 2020, the Supervisory Board approved the 2019 annual financial statements of CENIT Aktiengesellschaft and noted the 2019 consolidated financial statements with approval. The Management Board's proposal for the appropriation of profits was discussed in a conference call, examined and endorsed by the Supervisory Board on 12 May 2020.

Further matters addressed by the meetings

During the course of the year, the Supervisory Board was continually kept informed of periodic financial results and undertook detailed discussions with the Management Board on the 2020 semi-annual financial statements as well as interim reports for the individual quarters. A consistent focus of these discussions was on the review of developments in earnings and sales during 2020.

A key component of the meeting on 15 May 2020 was the preparation for the General Meeting of Shareholders, which was postponed due to the coronavirus pandemic and had to be held as a digital conference without the physical presence of the shareholders because of the regulations in Baden-Württemberg.

The primary focus of the meeting on 24 September 2020 was on the impact of the coronavirus pandemic on the business situation of the CENIT Group and the outlook for the third quarter. Discussions also centered on the planning of the audit of the annual financial statements 2020 as well as the new statutory regulations in connection with ARUG II [“Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie”: German Act Implementing the Second Shareholder Rights Directive] and the new version of the German Corporate Governance Code.

On 12 November 2020, we discussed with the Management Board the status of the talks with the new investor PRIMEPULSE as well as the status of the group audit for 2020. In addition, the Management Board informed us of the status of orders in the end-of-year business.

At the last meeting of the year on 18 December 2020, the main topics were the planning for the 2021 fiscal year, risk management as well as the business plan 2025. The auditor KPMG, Stuttgart, also provided us with an interim report on the preliminary audit at that meeting. In addition, we spoke about personnel matters on the Management Board: As planned, Mr. Matthias Schmidt chose to step down from his position in the Group as of 31 December 2020. His role as CFO was taken over by Dr. Wesel as of 1 January 2021, who had joined the CENIT Group as a new Management Board member as of 1 July 2020. The Supervisory Board would like to take this opportunity to thank Mr. Schmidt sincerely for the trusting working relationship and the work he did for the CENIT Group. The Board also wants to wish Dr. Wesel every success in his new role.

Risk management

An important topic addressed at several meetings was risk management within the Group. The Management Board reported on the chief risks for the Group and the risk monitoring system put in place to address these risks. In a series of discussions with the Management Board and several meetings with the auditor, the Supervisory Board satisfied itself of the effectiveness of the risk monitoring systems.

Corporate Governance

On several occasions in the course of the fiscal year, we reviewed particulars of corporate governance matters with the Group, including the new version of the German Corporate Governance Code adopted by the Government Commission. The Supervisory Board is convinced that good corporate governance constitutes a significant foundation for the success, reputation and self-image of the Group. For this reason, the Supervisory Board has continually monitored and considered the ongoing development of corporate governance standards and their implementation within CENIT. This also included regular verification of the efficiency of our own activities. In numerous discussions – also with the auditor – particular attention was paid to the continual lawfulness of business management and the efficiency of the organization.

An awareness of continually responsible and lawful conduct and of its existential significance for the CENIT Group are well entrenched within the Group and its corporate bodies. In accordance with Article 3.10 of the German Corporate Governance Code, the Management and Supervisory

Boards report on corporate governance at CENIT in their Corporate Governance Report. On 13 February 2020, the Supervisory Board issued its Declaration of Conformity with the German Corporate Governance Code as amended on 7 February 2017 in accordance with Sec. 161 AktG. It has made this declaration available to the Company's shareholders on the Company's website.

Balance sheet meeting 2021 on the annual and consolidated financial statements 2020

The accounting, the annual financial statements with the management report for the 2020 fiscal year, the consolidated financial statements with explanations and the group management report for the 2020 fiscal year were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart. KPMG was appointed as auditor of the annual financial statements and consolidated financial statements at the General Meeting of Shareholders on 2 July 2020. In accordance with its duties, the Supervisory Board reviewed the qualifications, independence and efficiency of the auditor.

The auditor issued unqualified audit opinions on the 2020 annual financial statements and consolidated financial statements of CENIT prepared by the Management Board, including the management report and group management report. The annual financial statements of CENIT Aktiengesellschaft were prepared in accordance with the principles of German commercial law (HGB). The consolidated financial statements comply with the International Financial Reporting Standards (IFRS). All members of the Supervisory Board had full and timely access to the financial statements documents and audit reports. The Supervisory Board has discussed the audit report intensively with both the Management Board and the auditor in order to satisfy itself as to its propriety. The Supervisory Board is confident that the audit reports for 2020 were fully compliant with statutory requirements.

During the balance sheet meeting on 26 March 2021, the auditor reported on the main findings of the audits of the separate financial statements and the consolidated financial statements of CENIT Aktiengesellschaft and was available to provide additional information and respond to queries. On that occasion, all members of the Supervisory Board were able to satisfy themselves that the audit has been conducted in compliance with statutory requirements and in an adequate manner.

As a conclusive result of its own reviews in accordance with Sec. 171 AktG, the Supervisory Board noted that it had no objections.

At its meeting on 26 March 2021, the Supervisory Board approved the annual financial statements prepared by the Management Board for CENIT Aktiengesellschaft for the 2020 fiscal year, thus ratifying the financial statements pursuant to Sec. 172 AktG. The Supervisory Board also acknowledged and approved the consolidated financial statements for the 2020 fiscal year on 26 March 2021.

Following its examination, the Supervisory Board agrees with the proposal of the Management Board for the appropriation of the net profit.

The Supervisory Board wishes to thank the Management Board and all CENIT employees throughout the world for their personal commitment, their achievements and their performance in the past fiscal year.

Stuttgart, March 2021

On behalf of the Supervisory Board

Univ.-Prof. Dr.-Ing. Oliver Riedel
Chairperson of the Supervisory Board

MANAGEMENT REPORT

Combined (group) management report for the fiscal year 2020

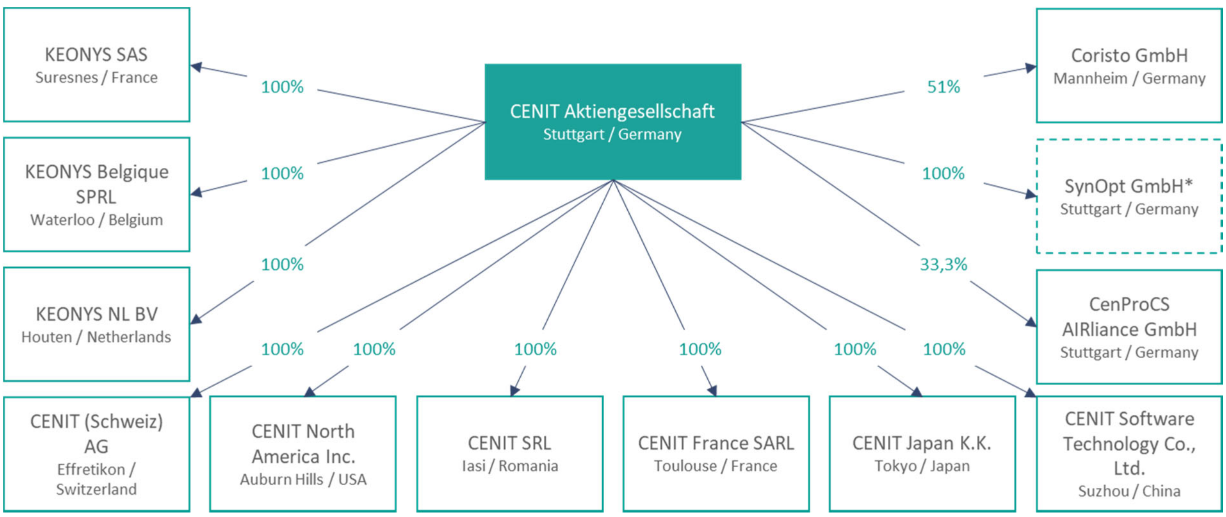
The **management report** of CENIT AG (hereinafter also "CENIT" or the "parent") and the **group management report** of the CENIT Group for the fiscal year 2020 were combined below. The remuneration report and the declaration on corporate governance are also components of the combined (group) management report. The consolidated financial statements prepared by CENIT as of 31 December 2020 comply with the International Financial Reporting Standards (IFRSs) applicable as of the reporting date as well as the supplementary provisions of the German commercial code (HGB) in conjunction with the German Accounting Standards (GAS).

1. Fundamental information about the Group

1.1. Organization and group structure

CENIT AG is headquartered in Germany (Stuttgart) and represented in the principal industrial centers there, including Berlin, Hamburg, Hanover, Munich and Frankfurt. CENIT has expanded its presence in Europe through acquiring the KEONYS Group in 2017. Through KEONYS, CENIT has since then also been represented in the Netherlands and Belgium as well as in France with its own local companies. CENIT has further locations in the US, Switzerland, Romania, Japan and – since February 2020 – in China. The domestic and foreign companies included in the consolidated financial statements are consolidated in accordance with the uniform accounting and valuation methods in the CENIT Group. The companies use the same accounting and valuation methods as the parent. Like the parent, the subsidiaries are specialized in the sale of software and IT services in the segments **Product Lifecycle Management** ("PLM") and **Enterprise Information Management** ("EIM"). In addition, CENIT holds one third of the joint venture CenProCS AIRliance GmbH. The joint venture provides services and consulting for a shared major customer in the PLM segment.

The **company-law organizational chart** for the CENIT Group is as follows as of the reporting date:



The **basis of consolidation** for the CENIT Group changed as follows compared with the fiscal year 2020:

* By merger agreement dated 5 May 2020 with CENIT Aktiengesellschaft, Stuttgart, **SynOpt GmbH**, Stuttgart, was merged into its parent with effect as of the date of entry in the commercial register on 23 July 2020.

CENIT AG's **Management Board** comprised the following members as of 31 December 2020:

- Kurt Bengel, CEO
- Matthias Schmidt, CFO until 31 December 2020
- Dr. Markus Wesel, Member of the Management Board since 1 July 2020

CENIT AG's **Supervisory Board** comprised the following members as of 31 December 2020:

- Univ.-Prof. Dr.-Ing. Oliver Riedel, Chair of the Supervisory Board
- Stephan Gier, Deputy Chair of the Supervisory Board
- Ricardo Malta, Employee Representative on the Supervisory Board

1.2 Business activities

CENIT has two business divisions, **PLM** and **EIM**. The PLM division is focused on PLM platforms and applications in the traditional manufacturing industry and optimizes production processes such as product development, production or change management. By contrast, the EIM division is focused on processes relating to 360 degree customer communication, processing, file and document management primarily in the financial services sector.

CENIT is the **specialist for the core processes of its customers**, focusing on the manufacturing industry and the financial services industry. The consultancy, service and software offering of the CENIT Group is based on standard products by its software partners as well as CENIT's own solutions based on those standard products. Leading software providers such as Dassault Systèmes, IBM and SAP are partners to the Company. The employees in the CENIT Group provide the customers with tailored industry support in the planning, implementation and optimization of their business and IT processes.

To allow the customers to concentrate on their core competences, the CENIT Group also **manages the applications** and the related **IT infrastructures**.

1.3 Markets

CENIT breaks down its **sales markets** into the regions of Germany, Rest of Europe ("RoE") and Rest of World ("RoW"). In the fiscal year, the largest sales market was Germany, followed by RoE and RoW.

1.4 Objectives and strategies

CENIT's strategy is geared to sustainable profitable growth. For this reason, we focus just as much on the employees and technology partnerships with the partners as on efforts to give the customers a competitive edge with CENIT solutions.

The CENIT 2025 Strategy is based on the following **four strategic pillars**:

(1) CENIT will be a leading provider for digital process continuity.

(2) CENIT will be the leading integrator for business processes on the platforms of Dassault Systèmes and SAP.

(3) CENIT will continue to expand its own software applications.

(4) CENIT will be an attractive employer with multicultural and enthusiastic employees.

Implementation of the aforementioned core points of the CENIT 2025 Strategy is to be achieved with the help of organic growth at business division level on the one hand and significant acquisitions on the other. The result for the fiscal year 2025 will be group revenue of approximately EUR 300 million with an EBIT margin of 8 to 10%.

1.5 Internal management system

The Management Board of CENIT is responsible for the **overall planning** and for realization of the long-term objectives of the Group. The uppermost goal of corporate development is to raise the business value on a long-term basis by means of profitable growth. The planning required to manage both segments, PLM and EIM, as well as the resulting measures are derived from the long-term corporate planning, taking into account the developments in the competitive and market environment.

The **annual planning process** is carried out using top-down and bottom-up methods, with planning initially carried out independently by the Management Board (top down) and by the respective managers responsible for the business units (bottom up). Revenue and EBIT are the key performance indicators for the respective assessments. At joint planning rounds, these assessments are discussed, tested for plausibility, consolidated and presented as final by the Management Board to the Supervisory Board for approval. As part of this planning process, the current five-year plan is also examined and updated.

During the year, the **business management** of the CENIT Group is carried out with the help of a monthly variance analysis at the level of the separate financial statements and consolidated financial statements as well as a quarterly rolling forecast. As part of this process, the Management Board analyzes the business development of the segments regularly in order to make necessary adjustments on a timely basis. However, some financial ratios that are critical to success are not quantifiable or can only be quantified indirectly. These include factors such as the reputation of the brand, customer satisfaction and employee qualifications.

Because of the ongoing exceptional societal and economic situation due to the coronavirus pandemic, it has been and continues to be more necessary than ever to think and work in scenarios as part of the internal management system. For CENIT's **internal management and planning process** specifically, this means weighing up opportunities and risks against each other as sensitively as possible. In a best-case scenario, it means making investments and assisting growth. In more difficult situations, it also involves exercising cost discipline and thus actively managing margins. In this context, **liquidity planning** that is **appropriate** for the Group's size has already played a key role in managing liquidity risks for a long time.

1.6 Research and development

An ongoing objective is to **raise the innovative power** of the CENIT Group. The Group invested research and development expenses (R&D) of EUR 10.5 million in the fiscal year 2020 (prior year: EUR 10.3 million) to this end. The business units of the CENIT Group focus their R&D efforts on the next generation of their products and solutions and prepare for their successful market launch. Close cooperation with the product and client-facing areas allows the CENIT Group to offer customized solutions. In addition to selling standard software, the CENIT Group develops its own programs to supplement and extend these solutions in a way that adds value. Its software expertise and decades of industry experience allow the CENIT Group to optimize the productivity and data quality of its customers with its own CENIT solutions.

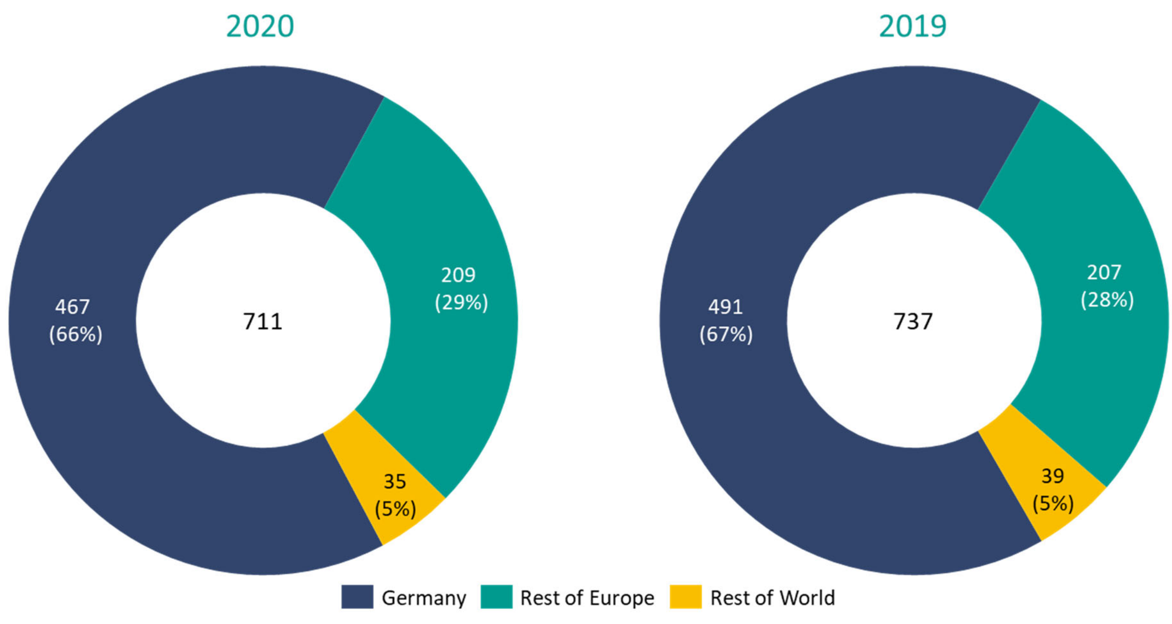
Because innovation also means progress, research and development are of central importance for the further achievement of the **corporate objectives**. Consequently, the activities of the CENIT Group in this area are constantly being expanded. This allows the CENIT Group to enhance its market position at the same time.

1.7 Employees

a) Overview and personnel policy

On 31 December 2020, the Group had 711 employees (prior year: 737). CENIT AG, Stuttgart, had 458 employees on the same date (prior year: 479). **Employee turnover** was down on the prior year, at approximately 7.6% (prior year: 9.0%).

The **employees** of the CENIT Group are **distributed by region** as follows:



There were scarcely any year-on-year changes in terms of the **global distribution** of employees. It is still the case that roughly two thirds of all employees in the CENIT Group are employed in Germany.

The following table shows the headcounts for the individual **group companies**:

Entity	31 Dec. 2020	31 Dec. 2019
CENIT AG Stuttgart, Germany	458	479
Keonys SAS Suresnes, France	117	117
CENIT SRL Iasi, Romania	45	44
CENIT North America Inc. Auburn Hills, USA	25	31
CENIT France SARL Toulouse, France	19	18
CENIT (Schweiz) AG Effretikon, Switzerland	15	15
Coristo GmbH Mannheim, Germany	9	9
CENIT Japan K.K. Tokyo, Japan	8	8
Keonys Belgique SPRL Waterloo, Belgium	7	7
Keonys NL BV Houten, Netherlands	6	6
CENIT Software Technology Co., Ltd. Suzhou, China	2	0
SynOpt GmbH* Stuttgart, Germany	0	3
Total	**711**	**737**

* By merger agreement dated 5 May 2020 with CENIT Aktiengesellschaft, Stuttgart, SynOpt GmbH, Stuttgart, was merged into its parent with effect as of the date of entry in the commercial register on 23 July 2020.

Personnel expenses in the reporting period came to EUR 54.8 million in the CENIT Group (prior year: EUR 60.3 million) and EUR 35.1 million at CENIT AG (prior year: EUR 37.9 million).

We are convinced that our staff make a decisive contribution to the economic success of the CENIT Group. As a result, we continued to dedicate ourselves to the objective “We are an **attractive employer**” set out in our 2025 Strategy, even though the fiscal year 2020 was dominated by the coronavirus pandemic. Despite all the necessary (cost) restrictions, we put our employees at the heart of our HR strategy. To prepare our staff individually for the working world of the future, we invest in their continued education on a constant basis. We offer different development programs for our employees for this purpose. On the one hand, this allows our employees to act as a reliable partner to our customers in mastering the constantly changing and increasing challenges they face. On the other hand, the further training opportunities offer a framework for our employees’ personal development, and this is something that we have also committed to.

A focal area of HR work in 2020 was once again to hire new talent in order to foster the success and growth of the parent and of the entire CENIT Group. This saw us expand our **recruitment** capacities in 2020 and take part in several virtual recruiting events. Additionally, our program incentivizing employees to refer new staff has become a more and more important part of our recruiting effort in order to win the talent war. We also expanded the digital application process further in 2020 by including components for a virtual assessment center for our apprentices and students from universities of cooperative education as well as for virtual interviews. This meant that we were always in a position to hire new staff for CENIT, regardless of how the pandemic unfolded. It also allowed us to reduce the administrative workload and cut processing times substantially.

Furthermore, **vocational training** has been one of the strategic investment areas of CENIT for many years. The Group considers this to be part of its responsibility to society and is actively involved in making it easier for young people to start their career through qualified training. In 2020, CENIT in Germany had trained a total of 49 young people in various professions by the end of the year (prior year: 54). The focus is on technical courses of study, such as computer science, information systems or industrial engineering. Our naming as a MINT minded Company in 2020 has helped us to recruit young talent. In addition, the Group continuously hires working students as well as interns and students completing their Bachelor’s and Master’s degrees.

A further central area of focus for HR work was on facilitating proactive **pandemic management** with the aims of “protecting the health of our employees” and “maintaining business operations”. The requisite (technical and procedural) conditions were met and successfully implemented as early as March 2020. For example, we made it possible for all of our employees to work from home. This involved introducing measures relating to virtual team management, and we expanded our communication media with the aim of accompanying all of our employees successfully through the pandemic crisis. Active use was made of short-time work and of other contemporary HR management tools. For example, we expanded our health management system and moved health promotion campaigns to a virtual platform.

b) Remuneration system / Profit sharing

Apart from **performance-based career opportunities** and assumption of responsibility at an early stage, the CENIT Group offers its employees a performance-based and profit-based remuneration policy. In addition to the fixed salary, which is governed by individual employment agreements, depending on the role there may also be remuneration components with amounts based on EBIT and on other quantitative and qualitative targets.

2 Report on economic position

2.1. Macroeconomic environment

a) General

In the past fiscal year 2020, the global spread of the **SARS-CoV-2** virus led to the **coronavirus pandemic**, which has had and continues to have a several global impact on society and the economy. Because the virus is a novel respiratory disease, there was a lot of uncertainty from the outset as regards how best to deal with the virus. The spread of the virus and the response measures introduced by governments with their restrictions on economic and social life (lockdowns with reduced social contacts, curfews and temporary business closures) led to an unexpected and severe collapse in economic performance and to interruptions in global supply chains and trade.

Because we have not yet overcome the **pandemic** and the only way to quash the virus is through herd immunity (which involves vaccinating a sufficient percentage of the population), there continue to be numerous health-related, social and economic repercussions (high numbers of infections, excess mortality, social isolation, missing out on education, increasing unemployment, decreasing economic output etc.) from the virus and from the supportive measure taken by governments (loans, upfront payments, extended payment deadlines, removing the duty to register for insolvency, short-time work etc.).

The risk related to the spread of the coronavirus also became evident on the **international capital markets**. For example, historical share price losses in the higher double-digit percentage range were observed across all sectors. This set the stage for what is referred to as the "coronavirus crash" on New York's Wall Street on 9 March 2020, resulting in the one of the largest stock market collapses in recent history.

As recently announced by the **International Monetary Fund** (IMF), the decline of approximately 3.5% in the global economy in 2020 was less than originally forecast in the middle of last year. Nevertheless, it has constituted the worst recession since the global economic crisis roughly 90 years ago.

In **China**, where the pandemic originated at the end of 2019, the economic situation is better than the global average. Having tackled the epidemic successfully very early on, China and other Asian countries like Taiwan were able to recover from the pandemic-related economic collapse at a very early stage. Consequently, China was the only major national economy to close the year 2020 with growth somewhere in the region of 2%.

Particularly in the winter months of 20/21, the pandemic intensified once again, primarily due to an increasing number of virus mutations that are more readily transmissible. The IMF is estimating the cost of the pandemic to total USD 22 trillion for the **years 2020 to 2025**. This figure roughly corresponds to the economic output of the US for one year. This makes it especially important to take broad multilateral action to contain the virus as quickly as possible.

b) Outlook

While the **global trade disputes**, for example between the US and China or the EU, have receded into the background in view of the coronavirus crisis, they have still not been resolved. The hope is that the change of government in the United States could result in altered economic policy and an improvement in the atmosphere around trade policy.

As a result, there is still a great deal of uncertainty surrounding the **medium and long-term effects** at present. Particularly for companies that have had to introduce fundamental changes such as a significant pivot in their business model in response to the coronavirus crisis, major uncertainty (still) prevails. There were (temporary) interruptions in global supply chains in this context. McKinsey has predicted in this regard that the recovery phase may take between one and five years depending on the industry.

Despite all of the above, the **forecasts by the German Council of Economic Experts for 2021** are predominantly optimistic. Most experts are forecasting global GDP growth of between 4% and 6%. However, according to Gita Gopinath, Chief Economist at the IMF, all of these forecasts are subject to major uncertainty on account of the pandemic and the rise in the number of infections. Based on the forecasts made, the assumption is that most people will have broad access to coronavirus vaccinations by the middle of the year and that the international vaccination initiative Covax will also help poorer countries to receive sufficient vaccines.

c) Germany

After a ten-year continuous upswing in the economy with most recent growth of 0.5% in 2019, the Germany economy experienced a **severe recession** in 2020 as a result of the coronavirus pandemic that was comparable with the 2008/2009 financial crisis. **Gross domestic product** (GDP) dropped by 5.0% overall in 2020. Ultimately, however, the decline in GDP was much less than many experts had forecast over the course of the year. This is due in the main to the resilience of the Germany economy and to the extensive range of measures taken by the German government to support the economy and stabilize incomes.

The **economic collapse** had a particularly detrimental effect on trade, transport and the hospitality sectors, which noted a 6.3% drop in economic output in a year-on-year comparison. It must be said that particularly in retail there were sharply contrasting developments, with considerable growth in the online trade contrasted against a sharp decline in the bricks-and-mortar business.

The coronavirus crisis has also left a deep mark on the **labor market**. After 14 years of consistent increases, in 2020 there was an average of 44.8 million people employed, which constitutes a decline of 1.1% on the prior year. By the end of April 2020, companies had registered for government-subsidized short-time work for approximately 6 million people. According to experts, this is an unprecedented figure compared with recent decades that has far exceeded all forecasts by economists.

However, the massive reliance on **government subsidized short-time work** did shore up the labor market, preventing more extensive job cuts. On average, the number of people on short-time work in 2020 was estimated at 2.8 million. Unemployment rose to 5.9% compared to 5.0% in 2019. Private consumption dropped by 6.0%, with inflation remaining exceptionally low at 0.5% on average. This was primarily attributable to the dramatic fall in oil prices and the temporary cuts in VAT rates as of 1 July 2020.

The **government budget** closed with a funding deficit in 2020 for the first time since 2011. Based on initial calculations by the Federal Statistical Office, the deficit amounts to EUR 158.2 billion.

Measured against nominal GDP, this translates into a deficit ratio of 4.8% and a Maastricht debt ratio of 70%.

d) Europe

Major effects from the coronavirus pandemic were also palpable in all of the countries in the **euro-zone**. Italy was the first country in Europe to witness the rapid spread of the coronavirus pandemic. Other European countries, such as France, Spain and the UK, also had to endure several hard lockdowns and curfews in the past year on account of very high infection rates. Additional travel restrictions and border closures caused particular suffering for tourism, a key sector for economic output in those countries. Initial estimates put contraction in the euro-zone economy at roughly 7.2% in 2020. Unemployment is thought to stand at 7.9%.

Similarly to the global development, **economic experts** are predicting that the euro-zone will recover by the end of 2021 at the latest. Average growth rates forecast for the current year are in the region of 4.4%. Here, too, future economic development hinges on how the pandemic progresses. However, the assumption is that increasing approval and distribution of vaccines together with warmer weather will help to suppress the virus more and more from the spring onwards, steadily reducing the need for far-reaching restrictions on social and economic activity. In this case, the forced suspension on economic activity could be reversed quickly, especially as pent-up demand may result from the accumulated purchasing power of private households over the past months.

2.2 Sector-specific environment

Some of the relatively few good-news stories at present are coming from the information and communication technology sector (**ICT**), which in our view plays an especially important role as a driver of the digitalization wave, which has picked up pace in view of current events.

As **Bitkom** President Achim Berg has highlighted, the coronavirus crisis has accelerated digitalization in many areas. The economy, the state and consumers invested in digital technologies, and even investments that had been temporarily deferred are now being caught up on, he said. According to Berg, this has allowed the ITC industry to weather the crisis well thus far.

In 2020, **ITC sales** in Germany slipped by just 0.6% to EUR 169.8 billion, due first and foremost to the weaker business with IT services and software. The number of **jobs** in the Bitcom industry decreased by 8,000 to 1.2 million in 2020, with 86,000 positions remaining vacant. According to Berg, each unfilled position means less growth, less value added and less innovation, slows down our digitalization journey and puts us at a disadvantage compared to our global competitors. Berg emphasizes that good people with digital skills are the most important factor in propelling Germany forward on its digital trajectory.

“The huge growth in the cloud business is indicative of a further trend in information technology. More and more, the focus is on leasing instead of purchasing. Infrastructure-as-a-Service, which involves leasing out server, network and storage capacity, most recently recorded annual growth rates of up to 40% and has become a market worth billions of euros”, explains Berg.

2.3 Overall course of business

2020 was a difficult year for the **CENIT Group**, as some customers from the main industries it serves – such as automotive, aerospace and civil and mechanical engineering – have been and continue to be badly hit by the negative effects of the pandemic. Some of the customers affected were forced to postpone investments, which in turn meant that CENIT could not sell its products and services as planned.

Against this backdrop, **consolidated sales** declined from EUR 171.7 million in the prior year to EUR 147.2 million in the fiscal year (down EUR 24.5 m or 14.3%), as a result of which the actual figure fell short of the budgeted figure of EUR 170.0 million by EUR 22.8 million (13.4%). The chief factors here were the drop in sales of software (by EUR 12.8 million) and services (by EUR 11.0 million). The drop on the sales side was countered by appropriate countermeasures on the expense side (including exercising restraint in investment, cost discipline and short-time work in certain divisions). Consequently, it was still possible to generate consolidated EBIT of EUR 3.6 million (prior year: EUR 9.2 million). In terms of CENIT's two segments, the picture is similar compared to the prior year and to the budget:

(1) Because its customers primarily come from those industries negatively affected by the pandemic (for example automotive and civil and mechanical engineering), the **PLM division** suffered a EUR 22.2 million or 14.3% decline in sales compared to the prior year (EUR 155.7 million) that was down by EUR 21.5 million or 13.9% on the budgeted figure (EUR 155.0 million). This development was driven chiefly by a decline in sales of software and services. As a result, segment sales of EUR 133.5 million were recorded in the fiscal year 2020. It was nevertheless possible to record positive segment EBIT of EUR 2.0 million (prior year: EUR 7.1 million; down 73.2%). This was thanks to countermeasures such as cost savings and short-time work, which helped to lower expenses by a total of EUR 6.2 million year on year (down 10.6%), not taking into account cross-charging.

(2) The **EIM division** likewise succeeded in realizing sales of EUR 13.7 million (prior year: EUR 16.0 million) in spite of the year-on-year fall in sales (down EUR 2.3 million or 14.4%). The budgeted figure for 2020 was EUR 15.0 million, so the shortfall was EUR 1.3 million. Similar to the PLM division, the principal reason for this development was decreased sales of software and services. Here, too, it was possible to generate positive segment EBIT of EUR 1.7 million (prior year: EUR 2.1 million; down 19%) by taking appropriate measures on the expense side (reduction of EUR 1.1 million before cross-charging; down 14.5% on the prior year).

In Germany, the **short-time work** measure reactivated by the federal government meant that we were able to compensate for budgeted shortfalls in capacity utilization during the year – especially in services – without having to shed any staff due to the crisis. Short-time work accounted for 8.4% of the target hours for all CENIT AG employees in the relevant period under observation from April to December 2020. Subsidies for short-time work relieved the burden on the corresponding personnel expenses by approximately EUR 1.8 million. The subsidiaries in France and Switzerland were likewise able to avail of similar government-initiated schemes, albeit to a lesser extent (EUR 0.8 million).

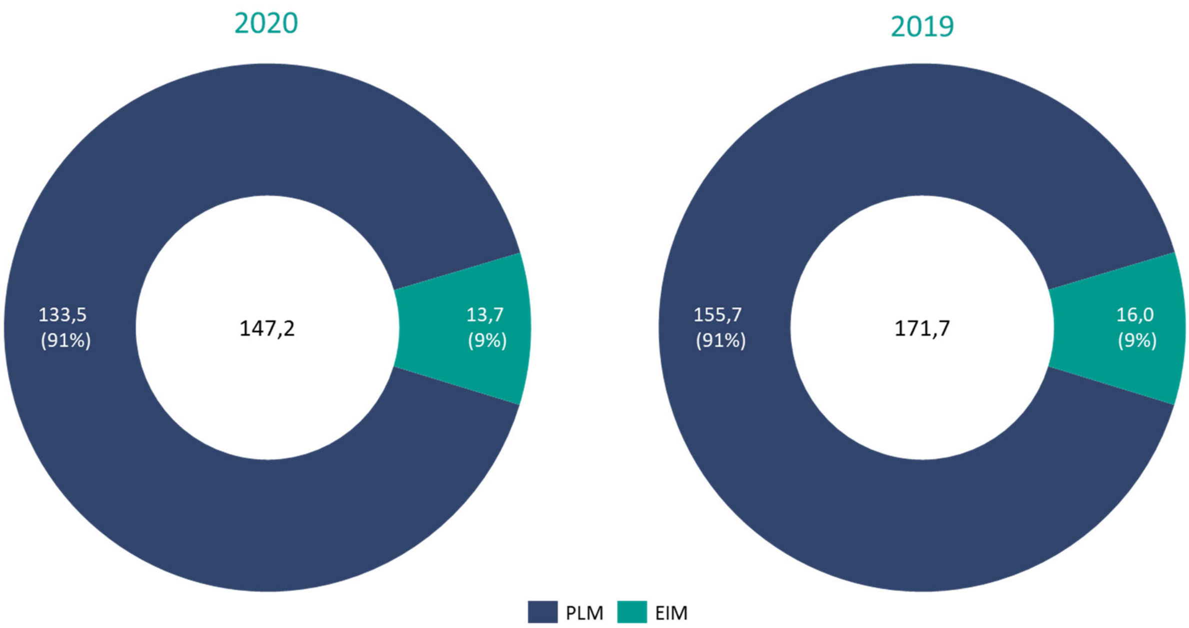
Earnings per share (EPS) amounted to EUR 0.28 in 2020, thus also falling below the prior-year figure of EUR 0.82/share.

Sales and earnings development at **CENIT AG** showed a similar picture, with the planned sales target for 2020 of roughly EUR 94.0 million also missed on account of the coronavirus pandemic. Sales decreased year on year by approximately EUR 8.6 million from EUR 94.1 million to EUR 85.5 million (down 9.2%). EBIT thus totals somewhere in the region of EUR 2.6 million, which is around 35% lower than in the prior year (EUR 4.1 million) and 49% short of the budgeted figure of EUR 5.2 million. The reasons for falling short of budget and for the year-on-year decrease are identical to those outlined above for the CENIT Group.

3 Assets, liabilities, financial position and performance of the CENIT Group

3.1 Financial performance

Sales of the CENIT Group in the fiscal year 2020 amounted to EUR 147.2 million and were thus down around 14.3% on the prior-year figure. Breaking down sales by segment (PLM and EIM) shows the following picture:



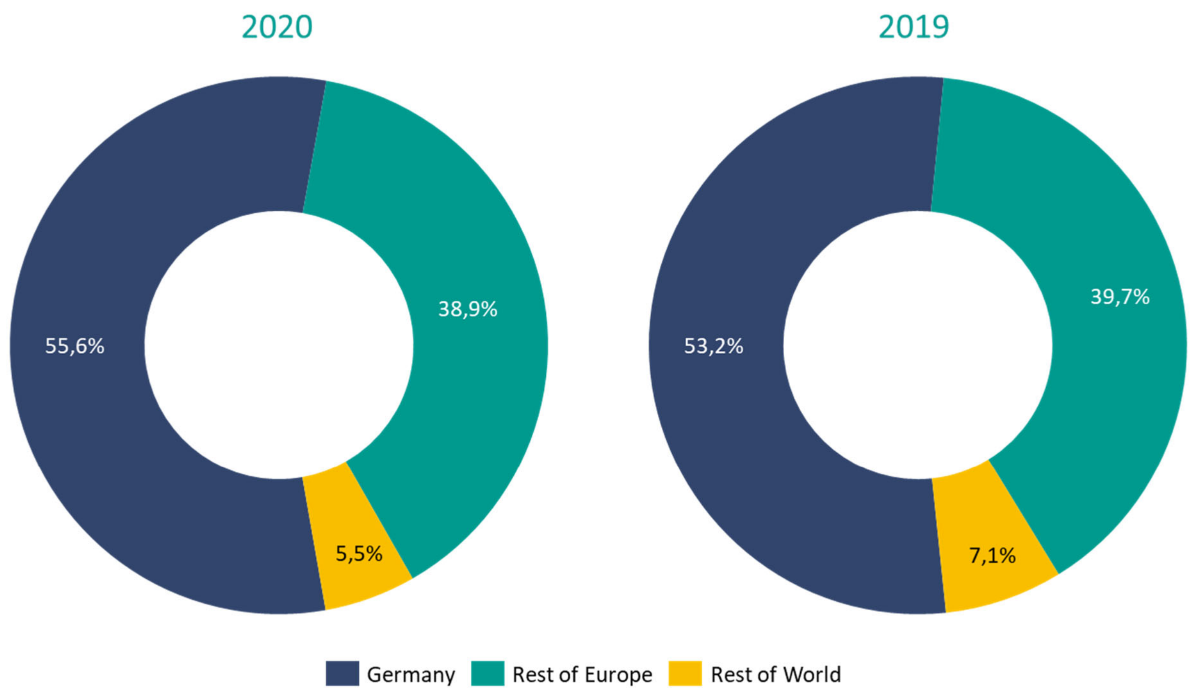
Both segments have struggled equally with the effects of the **SARS-CoV-2 pandemic** and continue to do so. The respective share in total sales remained virtually unchanged.

Sales by **product / income type** break down as follows:

Sales by product / income type in EUR k	2020	2019
Third-party software	92,513	105,628
thereof software	20,994	33,287
thereof software updates	71,519	72,341
CENIT consulting and services	38,491	49,486
CENIT software	15,927	16,355
thereof software	5,506	6,020
thereof software updates	10,421	10,335
Merchandise	309	242
Total	**147,240**	**171,711**

With an almost unchanged share of 63% (prior year: 62%) in **total sales**, the sale of third-party software (including software updates) continues to be the largest component in terms of total sales. Sales with software updates for third-party software and proprietary software were maintained at a steady level in nominal terms thanks to long-term agreements. Because of the decline in total sales, the figure even increased in relative terms: At EUR 81.9 million, its share in total sales comes to approximately 56% (prior year: EUR 82.7 million, 48%). This means that the CENIT Group can rely on a solid basis of recurring sales. The main sales declines were suffered in the sale of third-party software and consulting and services. This trend reflected in particular the effects of (potential) customers' reduced willingness to invest in response to the uncertain economic situation.

Looking at **sales distribution by region**, it is clear that sales shares have shifted slightly since the prior year, from Rest of World to Germany:



55.6% (prior year: 53.2%) of sales were recorded in Germany, with 38.9% (prior year: 39.7%) recorded in Rest of Europe and 5.5% in Rest of World (prior year: 7.1%).

There was a minimal change in **other operating income** of EUR 1.2 million in a year-on-year comparison (prior year: EUR 1.3 million). In addition to income from tax credits of EUR 0.5 million (prior year: EUR 0.4 million), the chief components are income from the cross-charging of marketing expenses and administrative costs of EUR 0.3 million (prior year: EUR 0.3 million).

Cost of materials totaled EUR 75.4 million in 2020 after EUR 86.3 million in the prior year. The decrease is due first and foremost to fewer purchases of third-party software compared to the prior year (down EUR 7.4 million or 54.2%). The ratio of cost of materials to sales edged up slightly to 51.2% (prior year: 50.2%), primarily on account of a change in the product mix.

Gross profit (total operating performance less cost of materials) amounted to EUR 73.0 million and was thus likewise below the prior-year figure of EUR 86.8 million. The gross profit margin fell marginally from 50.2% in the prior year to 49.2% in the reporting period against the backdrop of the development of the cost of materials to sales ratio.

At EUR 54.8 million, **personnel expenses** in 2020 were around 9.1% below the prior-year figure of EUR 60.3 million. This decrease is principally attributable to the lower headcount in the reporting period (down approximately 3.5%) and to availing of short-time work subsidies (approximately EUR 2.7 million). The ratio of personnel expenses to sales came to 37.2%, which was higher than the prior-year figure of 35.1%. In this regard, the drop in sales was only partly compensated for by availing of short-time work subsidies.

At EUR 8.3 million, **other operating expenses** were considerably lower than the EUR 11.2 million figure in the prior year. The main factors at play here were general savings as part of cost management during the year in connection with the SARS-CoV-2 pandemic. The prior-year figure was adjusted for impairment losses on receivables. These are presented separately in the income statement in the current fiscal year.

The CENIT Group recorded consolidated **EBITDA** of EUR 9.6 million (prior year: EUR 15.2 million). Consequently, the EBITDA margin dropped from 8.8% in the prior year to 6.5%.

Taking into account amortization, depreciation and impairment of EUR 6.0 million (prior year: EUR 6.0 million), the resulting EBIT is EUR 3.6 million (prior year: EUR 9.2 million).

Order intake in the CENIT Group amounted to EUR 137.9 million in the past fiscal year 2020 (prior year: EUR 165.5 million). The **order backlog** as of 31 December 2020 amounted to EUR 37.8 million (prior year: EUR 47.2 million). This corresponds to the overall amount of the transaction price allocated to the unfulfilled performance obligations as of 31 December 2020. Of the order backlog, EUR 37.8 million (prior year: EUR 47.2 million) will be turned into sales within one year.

3.2 Financial position

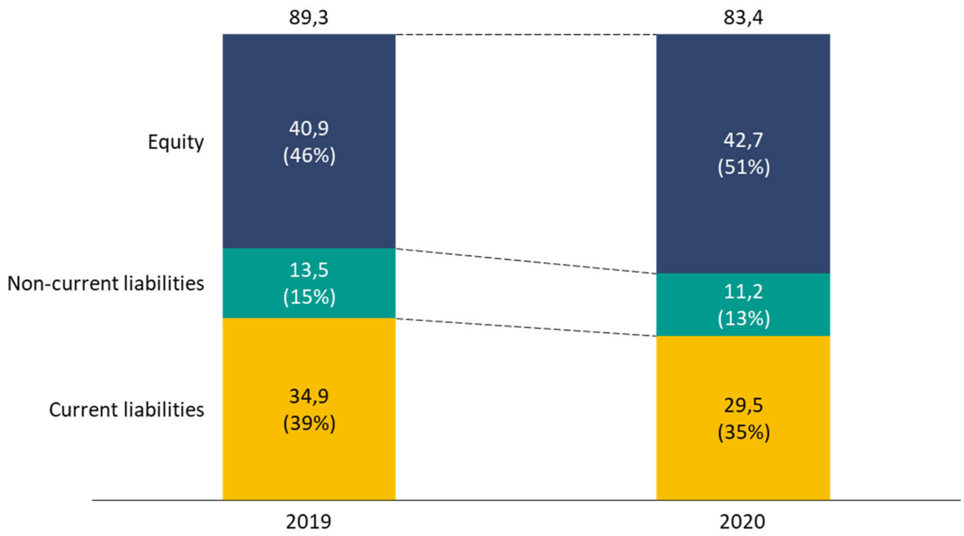
a) Fundamentals and objectives of financial management

The aim of financial management in the CENIT Group is to safeguard **financial stability and flexibility** in connection with the liquidity needed to achieve the strategic goals. The foundations for this are provided by a stable equity base of 52% (prior year: 46%). Financing policy and financial management are unchanged compared to prior years. Accordingly, the key components of financial management include liquidity and cash flow analysis as well as the management of liquidity and exchange rate risks as part of foreign exchange management.

b) Capital structure of the Group

Total assets in the CENIT Group come to EUR 83.4 million as of the reporting date, down EUR 5.9 million on the prior year. This is due in the main to a EUR 5.8 million lower level of receivables as a result of the reduced scope of business.

In terms of maturity, the Group’s **capital structure** breaks down as follows:



The share of **equity** in total capital increased from 46% in the prior year to 51% in the reporting period. In connection with the net income (of the Group) for the year included in equity, equity rose from EUR 40.9 million in the prior year to EUR 42.7 million in the reporting period, which constitutes an increase of roughly 4.4%.

This was countered by a drop in **liabilities** – also due to the reduced scope of business – in the reporting period to a total of EUR 40.7 million (down EUR 7.7 million or 15.9%).

Non-current liabilities fell by EUR 2.3 million to EUR 11.2 million as of the balance sheet date, attributable mostly to a decline in lease liabilities by EUR 2.0 million to a total of approximately EUR 9.0 million (prior year: EUR 11.0 million).

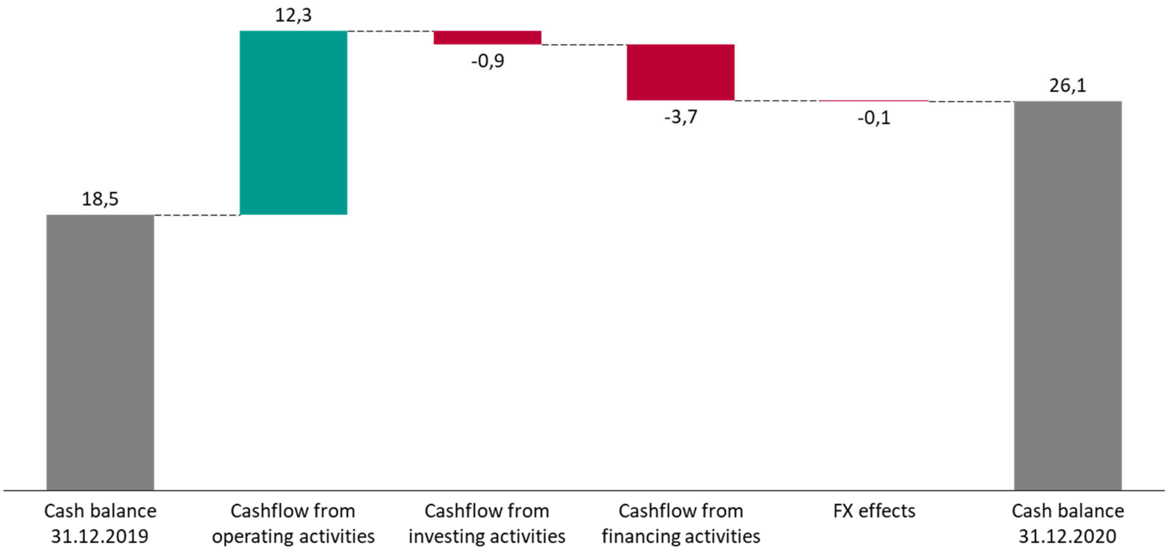
Current liabilities likewise decreased, by EUR 5.4 million to a total of EUR 29.5 million as of the balance sheet date. This item chiefly contains contract liabilities of approximately EUR 13.9 million (prior year: EUR 14.4 million), short-term lease liabilities of roughly EUR 3.0 million (prior year: EUR 3.1 million) as well as trade payables of around EUR 3.3 million (prior year: EUR 6.0 million).

c) Liquidity analysis

The Group's **cash and cash equivalents** came to EUR 26.1 million as of the reporting date, which translates into an increase of EUR 7.6 million or 41.1%. Despite the difficult global situation on account of the coronavirus pandemic, it was possible to generate positive cash flow from operating activities and build up the liquidity reserves of the CENIT Group.

Short-term, risk-free availability is the ultimate aim of **investing cash**, in order to be able to access the available cash at very short notice as needed and thus to promote growth. At the same time, this keeps the Group's financial risk profile at a low level.

In detail, **cash and cash equivalents** developed as follows:



At EUR 12.3 million (prior year: EUR 11.7 million), positive **cash flow from operating activities** made a major contribution to the development outlined above. Structural changes in the composition of cash flow from operating activities stemmed primarily from a EUR 4.7 reduction in the Group's net income for the year, related lower income tax payments of EUR 1.9 million as well as changes in the balance sheet items under working capital. The change in working capital was caused on the assets side by the larger year-on-year decrease in receivables and other current non-monetary assets of EUR 6.0 million and on the equity and liabilities side by the sharper fall in liabilities and provisions of EUR 1.4 million.

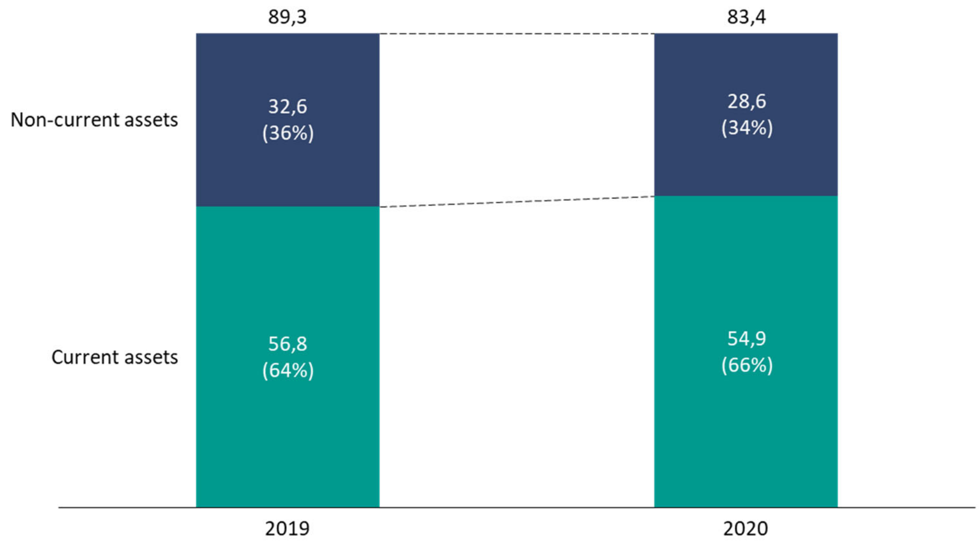
Cash flow from investing activities came to EUR -0.9 million and was characterized in the reporting period by investments to expand and replace fixed assets of EUR 0.8 million as well as by the purchase of the remaining shares in SynOpt GmbH of EUR 0.1 million.

Cash flow from financing activities amounted to EUR -3.7 million and is principally attributable to repayments from current finance leases (EUR 3.5 million). In the prior year, cash flow from financing activities came to EUR -8.6 million and included cash paid to shareholders of approximately EUR 5.0 million.

The decision not to pay a **dividend** in the reporting period for the fiscal year 2019 made a significant contribution to increasing cash and cash equivalents.

3.3 Assets and liabilities

The Group's **assets** for the fiscal years 2019 and 2020 are presented below by maturity:



As of the balance sheet date, **non-current assets** accounted for approximately 34% of all assets and were thus EUR 4.0 million lower than in the prior year. Non-current assets chiefly comprise fixed assets of approximately EUR 27.3 million. In addition to property, plant and equipment of EUR 13.7 million (prior year: EUR 16.5 million), there is also a significant share of intangible assets of EUR 11.1 million (prior year: EUR 12.2 million).

Current assets fell by EUR 1.9 million to EUR 54.9 million in a year-on-year comparison, attributable to lower trade receivables of EUR 14.6 million as of the balance sheet date (down EUR 5.8 million or 28.6%). This was countered by the development in cash and cash equivalents, which increased by EUR 7.6 million from EUR 18.5 million to EUR 26.1 million.

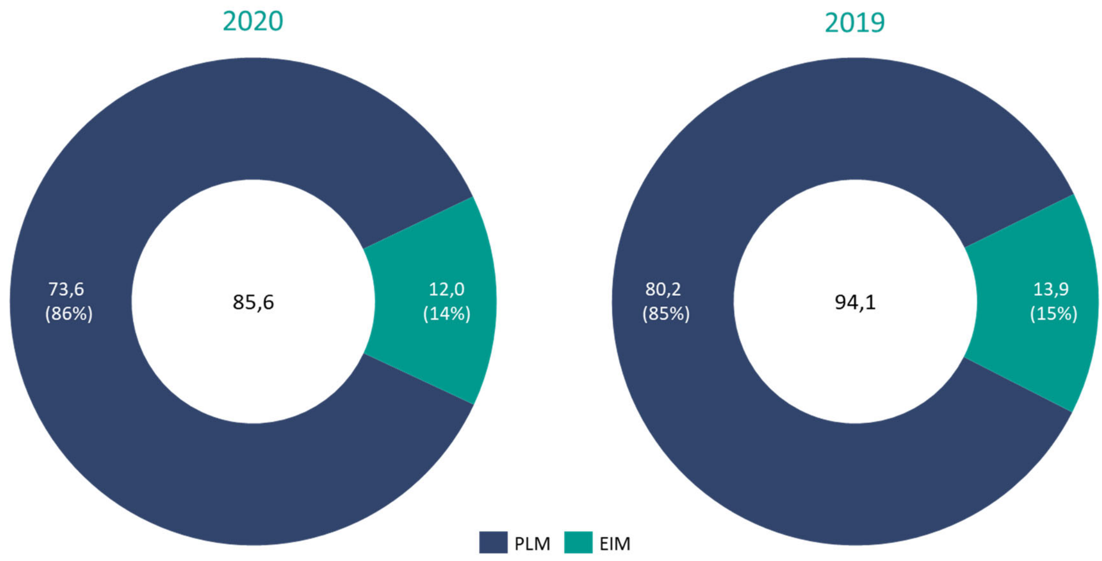
Against the backdrop of the difficult circumstances arising from the coronavirus pandemic, the Management Board of CENIT AG considers the **course of business** of the CENIT Group in the fiscal year 2020 to have been "unfavorable". However, the significant drop in sales of 14.3% was countered using adequate countermeasures (such as cost savings and working capital management), thus generating substantial positive cash flow from operating activities (EUR 12.3 million) as well as consolidated EBIT of EUR 3.6 million. Accordingly, the course of business of the CENIT Group can be considered relatively robust on the whole.

4 Assets, liabilities, financial position and performance of CENIT AG

The following comments relate to **CENIT AG** as the parent of the CENIT Group. The disclosures are made on the basis of HGB [“Handelsgesetzbuch”: German Commercial Code] for accounting by large corporations and AktG [“Aktiengesetz”: German Stock Corporation Act]. CENIT AG’s earnings are influenced by the earnings of the subsidiaries as well as of the joint venture CenProCS AIRliance GmbH.

4.1 Financial performance

Sales of CENIT AG in the fiscal year 2020 amounted to EUR 85.6 million and were thus down around 9.0% on the prior-year sales of EUR 94.1 million. Breaking down sales by segment (PLM and EIM) shows the following picture:



Both segments struggled equally with the effects of the pandemic. However, the respective **share in total sales** remained virtually unchanged.

Sales by **product / income type** break down as follows:

Sales by product / income type in EUR k	2020	2019
Third-party software	41,938	43,697
thereof software	9,677	11,218
thereof software updates	32,261	32,479
CENIT consulting and services	29,301	35,957
CENIT software	13,825	13,918
thereof software	4,598	4,881
thereof software updates	9,227	9,037
Merchandise	310	239
Other	245	288
Total	85,619	94,099

With a share of 49% (prior year: 46%) in **total sales**, the sale of third-party software (including software updates) continues to be the largest component of total sales. Sales with software updates, both for third-party software and proprietary software, were maintained at a steady level thanks to long-term agreements. The main sales declines were suffered in the sale of third-party software and consulting and services. This trend reflected in particular the effects of (potential) customers' reduced willingness to invest in response to the uncertain economic situation. As a result, the share of sales from software updates compared to total sales rose from 44% in 2019 to 49% in 2020.

Other operating income came to EUR 0.4 million in the reporting period (prior year: EUR 0.8 million). This drop is attributable to lower investment subsidies (down EUR 0.5 million).

Cost of materials totaled EUR 37.9 million in 2020 after EUR 41.2 million in the prior year. The decrease is due first and foremost to fewer purchases of third-party software compared to the prior year. The ratio of cost of materials to sales edged up to 44.3% (prior year: 43.8%), primarily due to product mix effects.

At EUR 35.1 million, **personnel expenses** in 2020 were around 7.5% below the prior-year figure of EUR 37.9 million. This decrease is principally attributable to the lower headcount in the reporting period (down approximately 4.4%) and to cost savings from availing of short-time work subsidies (EUR 1.8 million). The ratio of personnel expenses to sales came to 41.0% in the reporting period, which was higher than the prior-year figure of 40.3%. The drop in sales was only partly compensated for by availing of short-time work subsidies.

At EUR 9.2 million, **other operating expenses** were considerably lower than the EUR 10.5 million figure in the prior year. The main factors at play here were general cost savings in connection with the SARS-CoV-2 pandemic, for example for travel and overnight stays.

CENIT AG achieved **EBITDA** of EUR 3.9 million (prior year: EUR 5.4 million), leading to a reduction in the EBITDA margin from 5.6% in the prior year to 4.6%.

EBIT dropped from EUR 4.1 in the prior year to EUR 2.6 million in the reporting period, cutting the EBIT margin from 4.3% in the prior year to 3.0% in the reporting period.

The **financial result** totaled EUR 1.5 million in the reporting period 2020 after EUR 2.3 million in the prior year. This was chiefly linked to lower distributions by subsidiaries.

4.2 Financial position

In the reporting period 2020, the **investing activities** of CENIT AG were informed by the purchase of all of the shares in SynOpt GmbH (EUR 0.1 million) and by investments to replace fixed assets (EUR 0.7 million).

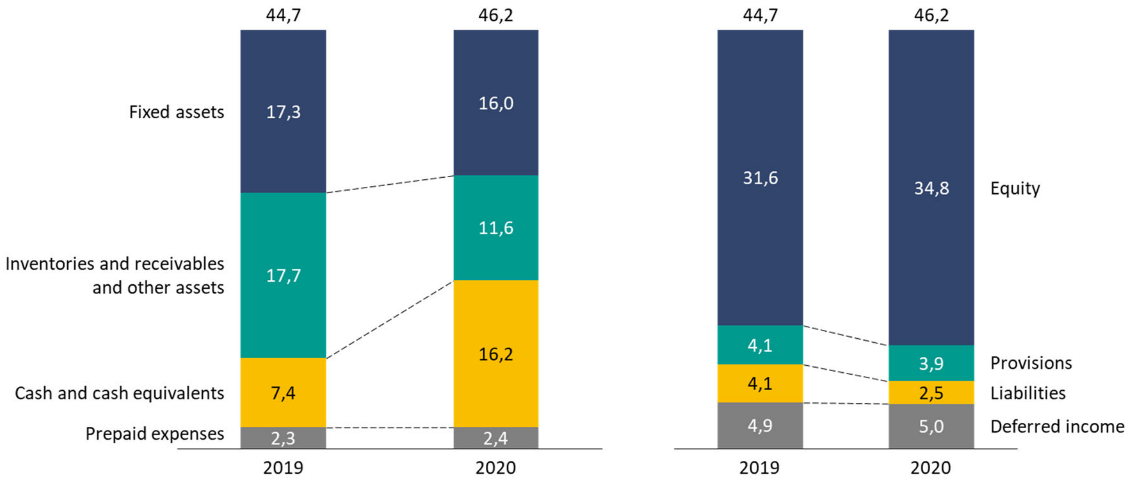
Liquidity rose from EUR 7.4 million to EUR 16.2 million as of the reporting date, due among other things to the decision not to pay a dividend to the shareholders in the reporting period.

The Management Board and Supervisory Board will propose to the General Meeting of Shareholders on 20 May 2021 that a **dividend** of EUR 0.47 per share be distributed from the retained earnings of CENIT AG of EUR 11.1 million. In light of the COVID-19 pandemic, the Management Board and Supervisory Board agreed in May 2020 to defer the dividend payment promised for the fiscal year 2019 in order to strengthen the Group for the economic and financial challenges in 2020.

Based on the earnings now recorded for the fiscal year 2020, we wish to return to our original dividend policy and distribute to our shareholders 50% of the retained earnings for 2019 (EUR 7,853 k) that had been carried forward to new account.

Consequently, the **financial strategy** remains geared to maintaining a strong credit rating in the long term that does, however, also take into account the interests of the shareholders in receiving a dividend.

4.3 Assets and liabilities



Unlike in past years, the **assets side** of the balance sheet of CENIT AG as of the balance sheet date on 31 December 2020 is mainly characterized by the high level of cash and cash equivalents resulting from strong cash flow from operating activities and the decision not to pay a dividend to the shareholders. Fixed assets declined both due to systematic amortization and depreciation and due to lower loans to affiliates. There was also a decrease in open trade receivables as of the balance sheet date, which can be explained by the lower sales volume at year end compared to prior years. Furthermore, receivables from other investees and investors also declined.

On the **equity and liabilities** side of CENIT AG's balance sheet, the share of equity rose once again in connection with the net income for the year. The equity ratio thus came to 75% as of the balance sheet date compared with 71% in the prior year. Equally there was a drop in liabilities. This is due in the main to lower operating expenses compared to the prior year on account of the coronavirus pandemic.

Against the backdrop of the difficult circumstances arising from the coronavirus pandemic, the Management Board of CENIT AG considers the **course of business** of CENIT AG in the fiscal year 2020 to have been "unfavorable". However, the significant drop in sales of 9.0% was countered using adequate countermeasures (such as cost savings and working capital management).

5 Report on expected developments

This (group) management report contains forward-looking statements and information. These statements can be recognized from wording such as “expect”, “intend”, “plan”, “estimate” and similar. Such statements are based on certain expectations and assumptions that entail corresponding risks and uncertainties. Many factors that influence the business model, business activity, business strategy and success of the CENIT Group are not always within the sphere of influence of the CENIT Group. This may lead to the actual results of the CENIT Group deviating materially from the results mentioned directly or indirectly in the forward-looking statements.

5.1 Expected macroeconomic and sector-specific environment

Despite the difficult year in 2020, the **forecasts by the German Council of Economic Experts** for 2021 are predominantly optimistic. The growth in global GDP predicted by the experts ranges between 4% and 6%. In light of the pandemic and the related risk of increasing infections with the corresponding restrictions on our personal and professional lives, the forecasts are subject to great uncertainty. The optimistic estimates are based among other things on the assumption that most people will have broad access to coronavirus vaccinations by mid-2021 and that the international vaccination initiative Covax will also help poorer countries to receive sufficient vaccines.

In **Germany**, the Federal Ministry for Economic Affairs and Energy is expecting German GDP to grow by 3.0%. Leading economic research institutes are predicting growth of between 2.8% and 4.9%.

In terms of the industry, the European Information Technology Observatory (EITO) estimates that **ITC sales** will reach EUR 3.72 trillion in 2021. This represents growth of 2.9%. Particular growth potential is seen in India (+13.5%) and China (+7.1%). Growth of 2.2% is planned for the world’s largest ITC market, the US.

For Germany, the **industry association** is expecting ITC total sales to rise by 2.7%.

The leading economic research institutes are in agreement that the **German economy** will regain momentum over the next two years. Their growth forecasts range from 2.8% to 4.9% for 2021. Peter Altmaier, Federal Minister for Economic Affairs and Energy, is expecting GDP growth of 3.0% according to his 2021 Annual Economic Report.

All **forecasts** are subject to major uncertainty, however, and hinge on the further progression of the coronavirus pandemic. Most economic experts assume that – unlike the first lockdown – industry will come through the second wave of the pandemic more or less unscathed and that it will be possible to roll back the measures taken in December in the spring at the latest. The approval of vaccines and the ensuing immunization of the population is also likely to have a stabilizing effect.

5.2 Expected developments of the CENIT Group and of CENIT AG

On the whole, it is assumed that the fiscal year 2021 will continue to be shaped by the pandemic and will be a year of positive consolidation for the **CENIT Group**. Based on the macroeconomic and sector-specific developments outlined above (5.1), consolidated sales are expected to amount to roughly EUR 152.0 million. Planned EBIT stands at around EUR 4.9 million, which is higher than the prior year. In the **EIM segment**, sales of approximately EUR 14.2 million and EBIT of around

EUR 1.0 million are planned. Planned earnings will be burdened by expenses for internal IT projects to increase operational excellence. It is intended that the **PLM segment** will match prior-year sales (approximately EUR 137.8 million) and record EBIT of around EUR 3.9 million.

For **CENIT AG**, the year 2021 is expected to yield sales in the region of EUR 90.8 million. EBIT is to be on a par with the prior-year level (approximately EUR 2.4 million). This includes capital expenditure for internal projects (including CRM and other IT projects) that are intended to promote operational excellence and thus improve competitiveness in the long term.

As was already the case in 2020, 2021 will also see a special focus on **further alignment** in software development, in particular FASTSUITE E2 and SAP integration. The entire production industry (PLM) as well as financial services providers (EIM) are facing challenges posed by **digitalization** and the related investments in converting their IT landscape. As an innovative and reliable solution provider, the CENIT Group will make its contribution to overcoming these challenges through its software and service offerings.

In this environment, the CENIT Group plans to increase its **share of proprietary software** in its overall portfolio in the long term. The cooperation with the partners Dassault Systèmes, IBM and SAP will be pursued on a lasting basis in order to position the CENIT Group as a long-term strategic partner to those clients.

5.3 Overall statement on future development

According to the **EITO forecast**, ITC sales are to rise globally by 2.9% to EUR 3.72 trillion in 2021. As in the prior year, the largest increase in sales should be seen in China (+7.1%) and India (+13.5%). The US remains by far the world's largest ITC market, with an expected sales increase of 2.2% and a 34.7% share of the global ITC market.

According to Bitkom, Germany's share of the global market should stand at 3.9% in 2021. The industry association expects growth of 2.7% to EUR 174.4 billion in 2021 for the **ITC market as a whole in Germany**. Information technology as the largest segment in the industry is set to grow by 4.2% to EUR 98.6 billion. The market for IT services is likewise set to rise by 1.1% to EUR 40.0 billion. The largest growth is expected for the IT hardware business, with predicted growth of 8.6% to EUR 31.6 billion. Spending on software is to rise by 4.1% to EUR 27.0 billion. In addition, 20,000 new jobs are to be created.

Despite the **uncertain market conditions** at present on account of the global SARS-CoV-2 pandemic, the Management Board continues to be positive about the future generally. This view is borne out through the long-term stable growth trend in relevant markets and sectors as well as what we consider to be the Group's strong present and future positioning in many countries with a huge backlog of demand in terms of the digitalization of the industry. It remains very difficult to gauge the future effects of the pandemic on business activity.

The high share of **recurring sales** from service agreements and software update agreements (2020: 56%) means that the CENIT Group has a solid basis for the planned sales development in 2021 of approximately 3.2%, which is higher than the 2.7% market growth forecast by Bitkom for Germany's ITC market. Additionally, the CENIT Group has an extremely solid capital structure that can serve to finance growth.

Taking into consideration the **uncertain macroeconomic framework conditions**, which could change again at short notice at any time, the Management Board currently expects a year of consolidation where planned higher sales (+3.2%) and a below-average increase in expenses are expected to lead to a 3.2% rise in the EBIT margin.

The statements on **future development** are expressly subject to the proviso that there are no material changes in macroeconomic and sector-specific conditions, especially on account of the consequences of the SARS-CoV-2 pandemic.

6 Report on opportunities and risks

6.1 Opportunities and risk management

The diverse nature of the CENIT Group's **business activities** means that its entrepreneurial activity is subject to opportunities and risks alike. In order to recognize and assess opportunities and risks at an early stage and ensure that they are handled correctly, the CENIT Group uses a corresponding management and control system. In the short, medium and long term, the objective is to grow sustainably and profitably and thus increase the business value. This can be ensured by exploiting opportunities to the fullest and recognizing risks as early as possible in order to take adequate countermeasures. It is the responsibility of the Management Board of CENIT to recognize risks at an early stage and to take appropriate countermeasures. A risk management system has been implemented to identify risks across the Group and to assess these risks according to uniform criteria and categories, both from a qualitative and a quantitative perspective. The current risk situation is updated, analyzed and documented on a quarterly basis using risk assessment.

The **risk management system** chiefly covers financial, operating, strategic and compliance risks. The system is based on CENIT AG as the parent of the CENIT Group and also includes all of the companies included in the consolidated financial statements in the assessment together with their key processes.

The probability of occurrence and primarily the related (forecast) impact on sales, EBIT and liquidity play a decisive role for **risk assessment**.

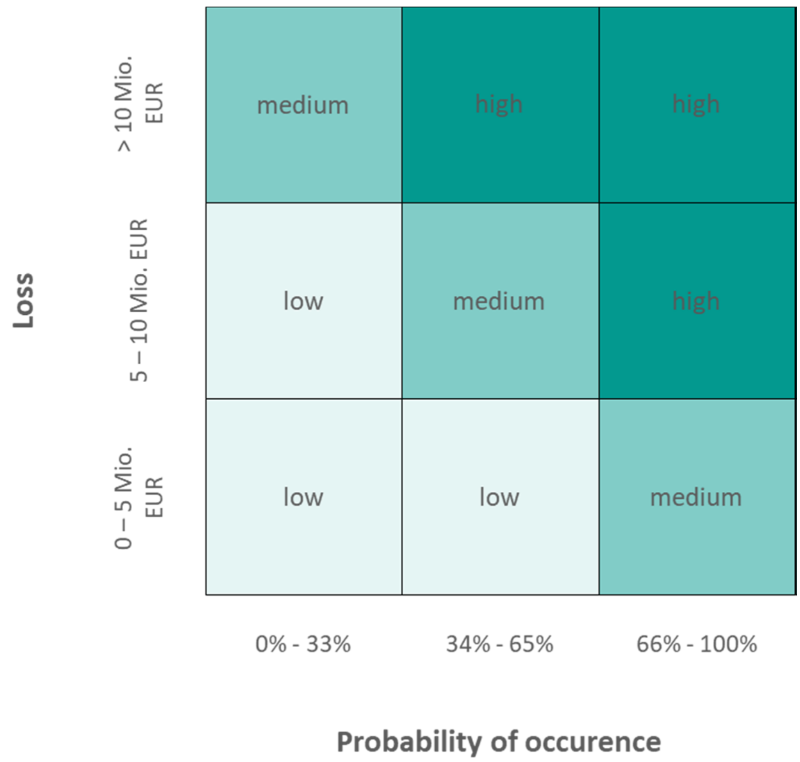
In order to ensure a **functioning risk management system**, integral components of the risk management system include compliance with the principle of dual control and the segregation of functions, allocation of responsibilities, controls for the preparation of the financial statements, group-wide guidelines for accounting and preparing the financial statements as well as suitable rules for access to IT systems.

6.2 Risk assessment and reporting

A **key component** of the system is a detailed planning system, an annual budget plan, monthly variance analyses as well as the early and regular communication of risks and opportunities. This risk management is assisted by regular meetings of management, where opportunities and risks relating to business development are analyzed and examined in detail.

The **Management Board** examines the classified risks together with the department heads and the employees responsible in that business unit. In addition, the Supervisory Board regularly receives reports on the risk situation and discusses the issue in detail.

In the CENIT Group, risks are analyzed and assessed **systematically**. The risks are quantified and categorized for this purpose. Based on the expected probability of occurrence and the expected loss, the risks are assessed and classified in the categories low, medium and high:



6.3 Quality assurance and information security

a) Quality assurance

The success of the CENIT Group hinges primarily on meeting **customer requirements**. In the field of business process consulting, we want to win customers with high-quality and economical solutions. By carrying out operating activities for the customer or at the customer, we want to raise the efficiency of the operations assumed.

To achieve this, the CENIT Group has designed its own **processes** to meet these customer requirements in what CENIT considers to be the best possible way. To this end, the CENIT Group has drafted and enforced key process descriptions applicable to the entire Group. All employees are instructed to implement these processes and to improve them constantly by means of specified methodical procedures.

Continuous monitoring and improvement thus forms an important component of the **quality management system**. This ongoing process allows potential for improvement to be identified, evaluated and implemented.

Quality management is **headed up** by a member of the Management Board. This ensures that the Management Board has direct influence and control over the Group's quality management system and that any negative developments can be detected immediately and responded to appropriately.

The CENIT Group has documented quality management rules in a **management manual**. It takes account of the ISO 9001:2015 standard.

The Management Board defines the **quality policy and objectives** while ensuring awareness and implementation at all levels of the Group. Furthermore, the Management Board defines the organization and areas of responsibility and provides the necessary financial and human resources.

The Management Board examines regularly – but at least once a year – whether the agreed targets have been met or whether they have been missed or exceeded, and whether the process descriptions, laws and standards have been complied with. Compliance with the requirements of **ISO 9001:2015** is assessed annually, both by internal audits and by an independent external certification body.

b) Information security

To ensure compliance with legal, official and contractual requirements and to safeguard the protection of customer information and CENIT's own information, an **information security management system** was installed based on ISO/IEC 27001:2013. ISO 27001 is an internationally recognized standard and involves a systematic process-based approach for implementing an information security management system that takes into account both the technology and the employees while at the same time establishing a continuous monitoring and optimization process.

The **information security management system** is thus a combination of a management system and specific measures, such as physical and personnel safety, the security of IT operations as well as physical and virtual access protection.

The employees are informed of current company developments at **information events** that take place at regular intervals. The information required for day-to-day business is communicated either at regular meetings or during individual meetings. Open communication that is based on dialog is valued.

Compliance with the requirements of **ISO/IEC 27001:2013** is assessed annually, both by internal audits and by an independent external certification body.

6.4 Risk situation

a) General

Out of **all** opportunities and risks identified, those areas that currently could have a material positive or negative impact on the assets and liabilities, financial position and financial performance in the forecast period are described below. Pursuant to the aforementioned assessment based on the expected loss of consolidated earnings, the corresponding classification of the expected loss caused by the risk that remains after taking countermeasures is stated for the following risks.

The **risk situation** for the CENIT Group is as follows:

Risk category		Risk assessment
Financial risks	Financing / creditworthiness	low
	Currency risks	low
Operational risks	Ongoing price pressure	low
	IT risks	low
	Performance risks – personnel	low
	Customer dependency	low
	Economic development	medium
	Pandemics / epidemics	high
Strategic risks	Technology / market shifts	low
	Supplier dependency	medium
Compliance risks	Contractual risks	low
	Statutory requirements	low

b) Financial risks

The CENIT Group has had an **equity ratio** of at least 40% for many years, which provides it with a solid financing base. In addition, there are no obligations to banks. Furthermore, credit ratings are obtained as necessary to assess customers' ability to repay and to avoid payment default, and historical data from the business relationship to date are taken into account – especially in relation to payment history. An adequate accounts receivable management system is in place in this respect. The CENIT Group processes most business transactions in the local currency. Because the sales in local currency are countered by corresponding expenses in local currency, the risk of currency fluctuations is low.

Particularly at present, the **management of liquidity risks** is especially vital. Liquidity risks occur when the customers of the CENIT Group are not in a position to meet their payment obligations. To recognize this risk at an early stage and thus limit it to the extent possible, the CENIT Group carries out regular analyses to assess customer solvency.

In the event of additional **capital requirements**, CENIT's orderly capital structure would help to ensure successful procurement of sufficient amounts of cash.

Currency risks from procurement in the CENIT Group occur when goods and services are procured in a currency other than the functional currency of the respective company. We minimize this risk by concluding corresponding purchase and sales agreements in the same currency. Since procurement focuses primarily on the euro-zone, foreign exchange risks from procurement at the parent company are the exception.

The volatility on the **foreign exchange markets** and the resulting uncertainty surrounding exchange rate developments also have an influence on CENIT. The business activities of the CENIT

Group also generate receivables in US dollars (USD), Swiss francs (CHF), Romanian leu (RON), Chinese yuan (CNY) and Japanese yen (JPY) among others. CENIT is thus exposed to a certain currency risk. Because payment generally takes place soon after invoicing and because prepayments are taken, the residual currency risk is assessed as part of an economic cost/benefit analysis and is even hedged if necessary. No transactions to hedge currency exposure were carried out in the 2020 reporting period.

c) Operational risks

The Company counters **ongoing price pressure** by investing in the constant further training of its employees. The shortage of skilled staff in the IT sector also helps to escape the pressure on price. Adapted recruiting systems that use new (virtual) tools for hiring staff are managing the lack of skilled staff and minimizing the **performance risk**.

The CENIT Group trusts its **partners and suppliers** and wants to contribute to a fair and long-term cooperation in this way. Performance, counterperformance and risks are appropriately balanced. Partners and suppliers are expected to participate in recognizing and implementing potential for raising efficiency. In this regard, CENIT pursues a purchasing policy that is tailored to the specific requirements of each project.

The CENIT Group works with reputable partners in procurement that are either market or industry leaders in their respective product area. The **cost of goods and purchased services** amounted to EUR 75.4 million in 2020 in the CENIT Group (prior year: EUR 86.3 million). In the CENIT Group, the inventory value and the amount of capital tied up as a result of project-based procurement was EUR 0.0 million as of the end of the fiscal year (prior year: EUR 0.3 million).

The Group's **central IT department** is responsible globally for all information systems and user control rights. The IT environment is uniform across the Group and is centrally managed. The IT function monitors system operation continuously, checks existing access rights of the individual users at regular intervals and adapts access rights to the individual systems as necessary. For this risk, the IT risk is considered manageable.

The Management Board monitors **dependency on key accounts** on a constant basis. No one customer contributes more than around 6% to consolidated sales in the fiscal year 2020.

Because of the ongoing **coronavirus pandemic** and the related uncertainty, particularly in terms of the **economic development** in CENIT's key customer industries such as automotive, aerospace and civil and mechanical engineering, the planning is also characterized by uncertainty for the fiscal year 2021 and subsequent years. Monthly analysis is carried out of the relevant developments on the sales and EBIT side, and scenario planning and sensitivity analyses are used in an effort to obtain forecasts that are as accurate as possible.

To manage the uncertain overall situation as regards **business processes**, a pandemic plan was developed that covers the main points on hygiene (e.g. in the office), safeguarding business processes (e.g. working from home) and a contingency plan in the event of infection (e.g. reporting channels and quarantine). The measures taken are constantly reviewed and streamlined as necessary.

d) Strategic opportunities and risks

CENIT is well positioned in its **target markets**. CENIT has a strong market position in its two segments, PLM and EIM, with regard to its A and B customers. CENIT intends to take advantage of the opportunities that this creates even more rigorously in the future to secure its market position and expand it further. The resulting potential for opportunities is rated as medium to high. Especially the Group's own software solutions will help, forging even-stronger links to customers. The strategic partnerships with global players such as Dassault Systèmes, IBM and SAP will also help to increase customer loyalty. In addition, the Group regularly identifies, assesses and monitors opportunities and (potential) risks in all material business transactions and processes.

The **strategic partnerships** create dependencies on individual suppliers. Because of its size, CENIT is well positioned as a partner to Dassault Systèmes, as access to several thousands of customers is ensured only via the distribution network of the CENIT Group. There are thus mutual dependencies at play.

Any **remaining risks** are considered immaterial.

c) Compliance risks

The CENIT Group enters into **contracts** with its customers at arm's length. Contractual risks are limited by using standardized General Terms and Conditions. In addition, the CENIT Group has taken out sufficient public liability insurance to minimize the risk.

Compliance risks are penalties, financial or other tangible losses due to breaches of the law and failure to comply with internal company regulations or principles. Compliance risks are classified as low on the whole.

The **basic features of the compliance management system** can be found on the company website at http://www.cenit.com/en_EN/investors/corporate-governance.html.

6.5 Overall picture of the CENIT Group's risk situation

A review of the current risk situation has shown that there were no **risks** in the reporting period that **jeopardized the continued existence of the Group as a going concern** and that no such risks are foreseeable at present for the future. All recognized risks were taken into account appropriately in the consolidated financial statements, and provisions were created as necessary. Furthermore, as of the balance sheet date there are no other risks that could have a material impact on the assets and liabilities, financial position and financial performance. The risk management and early warning system makes transparent corporate governance and early detection of risks possible.

An **overall analysis** of opportunities and risks shows that, in addition to strategic risks, the CENIT Group is primarily exposed to operational risk, which is currently determined by the coronavirus pandemic. The latter encompasses the uncertainty surrounding further economic development in relevant industries and the related unit sales opportunities. By contrast, the strategic risks include dependency on the development at key strategic suppliers as well as specialization on technology partners and the related dependency on their business development. There is an opportunity to optimize and increase the daily rates achievable by means of a high-quality service and process expertise. This can only be implemented based on sustained training for our employees. By raising its profile on the labor market, CENIT takes advantage of the opportunities on offer to recruit high-quality specialist staff.

There are significant market opportunities for CENIT in connection with the advancing **digitalization of the production industry** and the continued long-term focus on its own software and the related services.

Alongside the risks described, ever-shorter **innovation cycles** open up the possibility to progress with the digitalization of our society and offer our business customers solutions with our own software products that will make them more competitive. Consequently, our activities relating to innovation and product development are decisive in order to recognize and use opportunities and establish them in the face of increasing competition.

6.6 Internal control and risk management system in relation to the accounting and group financial reporting process, Sec. 315 (4) HGB (CENIT AG: Sec. 289 (4) HGB)

A major part of the risk management system is the accounting-related internal control and risk system of the CENIT AG Group. Accordingly, the internal control system is understood to include the principles, processes and measures introduced by management that are geared to the organizational implementation of executive decisions to ensure the effectiveness and efficiency of the business activities for the compliance and reliability of the internal accounting and external financial reporting.

An internal control system appropriate for the respective circumstances is implemented at each of the group companies; this system is continuously refined. Accounting recognizes the principle of a separation of functions. Most finance and accounting functions are performed centrally at the Stuttgart location. There is a clear allocation of tasks, both for preparing the separate financial statements and for preparing the consolidated financial statements. Controls are also implemented in accordance with the principle of dual control or in the form of system controls in order to avoid inaccuracies.

The Management Board is responsible for the internal control and risk management system in terms of the group financial reporting process.

7 Remuneration report and other notes

7.1 Supervisory Board compensation

Pursuant to the articles of incorporation and bylaws, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives a fixed amount of EUR 20,000 payable after the end of the fiscal year. The chairperson of the Supervisory Board receives twice that amount, while the deputy chairperson receives one and a half times that amount. The amounts paid to the Supervisory Board in 2019 and 2020 were as follows:

in EUR k	2020	2019
Prof. Dr. Oliver Riedel	40.0	30.0
Stephan Gier	30.0	22.5
Ricardo Malta	20.0	15.0
Total	**90.0**	**67.5**

The **D&O insurance** was continued in 2020 for Management Board members, Supervisory Board members as well as other executives. The premiums of EUR 40 k (prior year: EUR 40 k) were borne by the Company.

7.2 Management Board remuneration

The remuneration system for the Management Board of CENIT AG comprises a performance-based component and a component that is independent of performance. The performance-based part is based on the Group's earnings for the year (EBIT) in accordance with IFRS.

The remuneration of the Management Board members pursuant to **Sec. 314 (1) No. 6 HGB** in the reporting period was as follows:

in EUR k	2020	2019
Kurt Bengel	**485**	**437**
thereof fixed remuneration	267	276
thereof fringe benefits	25	25
thereof performance-based remuneration	54	136
thereof long-term incentive	139	0
Matthias Schmidt	**453**	**389**
thereof fixed remuneration	240	231
thereof fringe benefits	20	22
thereof performance-based remuneration	54	136
thereof long-term incentive	139	0
Dr. Markus Wesel	**139**	**0**
thereof fixed remuneration	108	0
thereof fringe benefits	9	0
thereof performance-based remuneration	22	0
thereof long-term incentive	0	0
Total	**1,077**	**826**

The **variable remuneration for the Management Board** breaks down into a short-term and long-term component based on consolidated EBIT, with the short-term portion being paid out in the subsequent year. The long-term portion is paid out after three years provided that other criteria have been met. The short-term variable remuneration for the Management Board has been capped at EUR 230,000 since the fiscal year 2019. The maximum amount has increased by 5% p.a. in each case since 2020, or from the year of joining the Management Board. The long-term variable remuneration is capped at EUR 350,000. The maximum amount has increased by 5% p.a. in each case since 2020, or from the year of joining the Management Board. The long-term variable remuneration is paid out after three years only if average consolidated EBIT amounts to at least EUR 9,000,000 over the past three years. This limit likewise increases by 5% annually from 2020. The cap on Mr. Bengel's total remuneration stands at EUR 900,000.00, while Mr. Schmidt and Dr. Wesel's total remuneration is each capped at EUR 800,000.00.

The **fringe benefits** relate to the provision of company cars and subsidies for pension insurance.

The **incentives** granted to the Management Board in the reporting period are as follows:

in EUR k	2020	2019
Kurt Bengel	**401**	**576**
thereof fixed remuneration	267	276
thereof fringe benefits	25	25
thereof performance-based remuneration	54	136
thereof long-term incentive	55	139
Matthias Schmidt	**369**	**528**
thereof fixed remuneration	240	231
thereof fringe benefits	20	22
thereof performance-based remuneration	54	136
thereof long-term incentive	55	139
Dr. Markus Wesel	**139**	**0**
thereof fixed remuneration	108	0
thereof fringe benefits	9	0
thereof performance-based remuneration	22	0
thereof long-term incentive	0	0
Total	**909**	**1,104**

The following **remuneration** was paid out to the Management Board members in the reporting period:

in EUR k	2020	2019
Kurt Bengel	**567**	**946**
thereof fixed remuneration	267	276
thereof fringe benefits	25	25
thereof performance-based remuneration	136	134
thereof long-term incentive	139	511
Matthias Schmidt	**535**	**898**
thereof fixed remuneration	240	231
thereof fringe benefits	20	22
thereof performance-based remuneration	136	134
thereof long-term incentive	139	511
Dr. Markus Wesel	**117**	**0**
thereof fixed remuneration	108	0
thereof fringe benefits	9	0
thereof performance-based remuneration	0	0
thereof long-term incentive	0	0
Total	**1,219**	**1,844**

The employment contracts of Mr. Bengel, Mr. Schmidt and Dr. Wesel provide for compensation payments pursuant to **Sec. 74 HGB** for the term of a one-year ban on competition and full remuneration paid to the surviving dependents of deceased Management Board members for a six-month period.

No **further pension obligations or benefits** were promised in the event of termination of service. In the event that the Company terminates the agreement before its expiry without good reason, the Management Board member receives a severance payment of no more than twice the annual fixed remuneration set out in the agreement for the remainder of the employment agreement. In any case, no more than the remaining term of the employment agreement will be remunerated.

7.3 Other notes

a) Corporate governance statement

The Management Board and Supervisory Board of the Company have issued the corporate governance statement for 2020 prescribed by Sec. 289f HGB and/or Sec. 315d HGB and have made it available on the homepage at: http://www.cenit.com/en_EN/investors/corporate-governance.html.

b) Non-financial group statement

The Management Board will prepare the non-financial group statement prescribed by Sec. 315b HGB and make it available permanently on the homepage by 30 April 2021 at: http://www.cenit.com/en_EN/investors/corporate-governance.html.

8 Explanations of the Management Board on the disclosures pursuant to Secs. 289a and 315a HGB

(1) Composition of issued capital

The capital stock of CENIT AG amounts to EUR 8,367,758.00 as of 31 December 2020.

(2) Restrictions on voting rights or the transfer of shares

There are no restrictions on voting rights or the transfer of shares.

(3) Equity investments in capital that exceed 10% of voting rights

Direct or indirect equity investments in issued capital that exceed 10% of voting rights are presented in the notes to the annual financial statements and in the notes to the consolidated financial statements of CENIT AG.

(4) Shares with special rights that grant control

There are no shares with special rights that grant control.

(5) Type of voting right control if employees have equity investments in capital and do not exercise their control rights directly

There are no voting right controls for employees who have equity investments in capital.

(6) Statutory requirements and regulations in the articles of incorporation and bylaws concerning the appointment and dismissal of Management Board members and amendment of the articles of incorporation and bylaws

The appointment and dismissal of Management Board members is regulated in Sec. 84 AktG. Furthermore, Article 7 Nos. 1 and 2 of the articles of incorporation and bylaws states that the Supervisory Board appoints the Management Board members and determines the number of Management Board members. Pursuant to Article 7 No. 1 of the articles of incorporation and bylaws, the Management Board comprises at least two persons.

The provisions to amend the articles of incorporation and bylaws are regulated in Secs. 133, 179 AktG. Additionally, Article 21 No. 1 of the articles of incorporation and bylaws states that resolutions of the General Meeting of Shareholders require a simple majority of the votes cast and, where required, the simple controlling interest, unless legal regulations or the articles of incorporation and bylaws prescribe otherwise. The Supervisory Board is entitled pursuant to Article 16 of the articles of incorporation and bylaws to make amendments to the articles of incorporation and bylaws that only affect the version.

(7) Authorization of the Management Board to issue and buy back shares

Unless expressly authorized by law, the Company requires special authority by the General Meeting of Shareholders pursuant to Sec. 71 (1) No. 8 AktG in order to purchase and use treasury shares.

The Management Board of CENIT AG assures that the combined (group) management report presents the course of business including the business result and the position of the Group and of the Company in a way that provides a true and fair view and describes the material opportunities and risks.

Stuttgart, 26 March 2021

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel
Spokesman, Management Board

Dr. Markus Wesel
Member, Management Board (CFO)

GROUP FINANCIAL STATEMENT

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in accordance with IFRS)

in EUR k		31 Dec. 2020	31 Dec. 2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	F1	11,065	12,223
Property, plant and equipment	F2	13,690	16,476
Investments recognized at equity	F3	60	60
Other financial assets	F3	2,500	2,615
Deferred tax assets	F4	1,275	1,224
NON-CURRENT ASSETS		**28,590**	**32,598**
CURRENT ASSETS			
Inventories	F5	12	258
Trade receivables	F6	14,562	20,395
Receivables from investments recognized at equity	F6	2,514	4,413
Contract assets	F7	2,469	3,727
Current tax assets	F9	1,945	1,514
Other receivables	F8	692	408
Cash and cash equivalents	F10	26,056	18,461
Other financial assets	F11	6,609	7,574
CURRENT ASSETS		**54,859**	**56,750**
TOTAL ASSETS		**83,449**	**89,348**

CENIT Aktiengesellschaft, Stuttgart CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in accordance with IFRS)			
in EUR k		**31 Dec. 2020**	**31 Dec. 2019**
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital	F12	8,368	8,368
Capital reserves	F12	1,058	1,058
Currency translation reserve	F12	941	1,058
Legal reserve	F12	418	418
Other revenue reserves	F12	13,793	13,771
Profit carryforward	F12	15,161	8,289
Net income of the Group for the year	F12	2,318	6,872
Equity attributable to shareholders of the parent company		**42,057**	**39,834**
Non-controlling interests		666	1,106
TOTAL EQUITY		**42,723**	**40,940**
NON-CURRENT LIABILITIES			
Other liabilities	F16	612	834
Pension obligation	F18	1,575	1,480
Non-current lease liability	F13	9,016	11,027
Deferred tax liabilities	F4	23	142
NON-CURRENT LIABILITIES		**11,226**	**13,483**
CURRENT LIABILITIES			
Overdrafts	F10	0	0
Trade payables	F15	3,270	5,964
Liabilities to investments recognized at equity	F15	32	34
Other liabilities	F16	8,104	10,959
Current lease liability	F13	2,974	3,102
Current income tax liabilities	F14	1,154	309
Other provisions	F14	70	132
Contract liabilities	F17	13,896	14,425
CURRENT LIABILITIES		**29,500**	**34,925**
TOTAL EQUITY AND LIABILITIES		**83,449**	**89,348**

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED INCOME STATEMENT (in accordance with IFRS)

in EUR k			2020	2019
1. **REVENUE**	**E1**		**147,240**	**171,711**
2. Other income	E3		1,159	1,290
Operating performance			**148,399**	**173,001**
3. Cost of materials	E4	75,379		86,259
4. Personnel expenses	E5	54,815		60,300
5. Amortization of intangible assets and depreciation of property, plant and equipment	F1+F2	5,963		6,043
6. Other expenses	E7	8,281		11,159
7. Impairment expense from trade receivables	E8	330		45*
			144,768	163,806
NET OPERATING INCOME (EBIT)			**3,631**	**9,195**
8. Other interest and similar income	E9	0		1
9. Interest and similar expenses	E9	202		298
			-202	-297
NET PROFIT OR LOSS FOR THE PERIOD BEFORE TAXES (EBT)			**3,429**	**8,898**
10. Income taxes	E10		1,137	1,936
NET INCOME OF THE GROUP FOR THE YEAR			**2,292**	**6,962**
thereof attributable to the shareholders of CENIT			2,318	6,872
thereof attributable to non-controlling interests			-27	90
Earnings per share in EUR				
basic	E11		0.28	0.82
diluted	**E11**		**0.28**	**0.82**

*In the prior year, the impairment expense was reported on a gross basis in other income and other expenses on grounds of immateriality

CENIT Aktiengesellschaft, Stuttgart CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in accordance with IFRS)			
in EUR k		**2020**	**2019**
Net income of the Group for the year		**2,292**	**6,962**
Other comprehensive income			
Items that will be reclassified to the income statement in the future under certain circumstances			
Currency translation reserve of foreign subsidiaries		-117	49
Items that will not be reclassified to the income statement in the future			
Actuarial gains/losses from defined benefit obligations and similar obligations		27	221
Deferred taxes recognized on other comprehensive income		-4	-41
Other comprehensive income after tax		**-94**	**229**
Total comprehensive income		**2,197**	**7,191**
thereof attributable to the shareholders of CENIT		2,224	7,101
thereof attributable to non-controlling interests		-27	90

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in accordance with IFRS)

	Equity attributable to shareholders of the parent company									
in EUR k	Sub-scribed capital	Capital reserves	Currency Trans-lation reserve	Revenue reserves: Legal reserve	Revenue reserves: Other reserves	Profit carry-forward	Net income of the Group for the year	Equity attributable to share-holders of CENIT AG	Non-control-ling interests	Total
As of 31 Dec 2018	**8,368**	**1,058**	**1,010**	**418**	**13,663**	**7,361**	**5,948**	**37,825**	**1,277**	**39,102**
Reclassification of net income of the						5,948	-5,948			
Total comprehensive income			48		180		6,872	7,101	90	7,191
Purchase of additional shares by minority interests					-72			-72	-64	-136
Dividend distribution						-5,021		-5,021	-196	-5,217
As of 31 Dec 2019	**8,368**	**1,058**	**1,058**	**418**	**13,771**	**8,289**	**6,872**	**39,834**	**1,106**	**40,940**
Reclassification of net income of the Group from prior year						6,872	-6,872			
Total comprehensive income			-117		23		2,318	2,224	-27	2,197
Purchase of additional shares by minority interests					-1				-217	-218
Dividend distribution									-196	-196
As of 31 Dec 2020	**8,368**	**1,058**	**941**	**418**	**13,793**	**15,161**	**2,318**	**42,057**	**666**	**42,723**

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED STATEMENT OF CASH FLOWS (in accordance with IFRS)

in EUR k	2020	2019
Cash flow from operating activities		
Net income of the Group for the year	2,292	6,962
Adjusted for:		
Amortization of intangible assets and depreciation of property, plant and equipment	5,963	6,043
Losses on disposals of assets	3	4
Finance cost	202	297
Tax expenses	1,137	1,936
Decrease in other non-current liabilities and long-term provisions	-4	712
Interest paid	-33	-32
Interest received	0	1
Income taxes paid	-454	-2,376
Decrease in trade receivables and other current non-cash assets	8,956	3,000
Increase/decrease in inventories	246	-228
Decrease in current liabilities and short-term provisions	-6,030	-4,637
Net cash flows from operating activities	**12,278**	**11,682**
Cash flow from investing activities		
Cash paid for purchase of property, plant and equipment and intangible assets	-801	-2,508
Cash paid for purchase of shares in fully consolidated entities (net cash outflow)	-103	-136
Cash paid for investments	0	-115
Net cash used in investing activities	**-904**	**-2,759**
Cash flow from financing activities		
Cash repayments of lease liability	-3,508	-3,357
Cash paid to shareholders	0	-5,021
Dividends paid to minority interests	-196	-196
Net cash used in financing activities	**-3,704**	**-8,574**
Net increase in cash and cash equivalents	**7,670**	**349**
Change in cash and cash equivalents due to foreign exchange differences	-75	74
Cash and cash equivalents at the beginning of the reporting period	18,461	18,038
Cash and cash equivalents at the end of the reporting period (F10)	**26,056**	**18,461**

See section G. in the notes to the consolidated financial statements for explanations.

Notes to the consolidated financial statements of CENIT AKTIENGESELLSCHAFT for 2020

A Commercial register and purpose of the Group

The parent company of the Group, CENIT Aktiengesellschaft (hereinafter the “Company” or “CENIT”), has its registered offices at Industriestrasse 52 - 54, 70565 Stuttgart, Germany, and is filed in the commercial register of Stuttgart local court, department B, under No. 19117. The shares of CENIT are publicly traded on the Frankfurt Stock Exchange (Prime Standard).

The business purpose of the group entities is to provide all types of services in the field of introducing and operating information technology and to sell and market information technology software and systems. With a focus on product lifecycle and document management solutions as well as IT outsourcing, CENIT and its subsidiaries (hereinafter the “CENIT Group”) in its business segments PLM (Product Lifecycle Management) and EIM (Enterprise Information Management) offer tailored consultancy services from a single source. The focus of the CENIT Group is on business process optimization and computer-aided design and development technologies.

B Accounting principles

The consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, are prepared and published in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and are released by the Management Board to the Supervisory Board for approval.

The consolidated financial statements are prepared in euro. To aid clarity, all figures are presented in thousands of euro (EUR k) unless otherwise indicated. The end of the reporting period is 31 December of any given year.

For the classification for the statement of financial position, a distinction is made between current and non-current assets and liabilities; in the notes, they are broken down in detail by their term to maturity in some cases. The income statement is classified using the nature of expense method.

The consolidated financial statements have been prepared on the basis of historical cost (acquisition cost principle) apart from financial assets that are held for trading or are classified on initial recognition as financial assets at fair value through profit or loss and are thus measured at fair value.

The annual financial statements of the entities included in the consolidated financial statements have been prepared on the basis of the parent company’s uniform accounting policies as of the end of its reporting period.

Amended or new IFRSs issued by the EU and the resulting presentation, recognition and measurement changes

Compared with the consolidated financial statements as of 31 December 2019, no standards and interpretations were mandatory for the first time that had material effects on the consolidated financial statements.

Compared with the consolidated financial statements as of 31 December 2019, the following standards and interpretations were mandatory for the first time but did not have any material effects on the consolidated financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of a “Business”
- Amendments to IAS 1 and IAS 8: Definition of “Material”
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 16: COVID-19 related rental concessions

Upcoming IFRS amendments

The following IFRSs adopted by the EU were issued by the end of the reporting period but are not mandatory until later reporting periods. The CENIT Group decided not to early adopt the standards and interpretations that are not mandatory until later reporting periods. No effects are expected from applying these standards.

Amendment/Standard	Date of publication	Date of transposition into EU law	Effective date
Amendments to IFRS 4: Deferral of Effective Date of IFRS 9	25 June 2020	15 December 2020	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	27 August 2020	13 January 2021	1 January 2021

The other published standards not yet endorsed by the EU are not expected to have a material impact on the financial position or performance of the Group.

Changes in the presentation of the consolidated financial statements

The following accounting policies principally used in the prior year have been used without change to prepare the consolidated financial statements.

C Consolidation principles

1. Consolidation principles and basis of consolidation

The consolidated financial statements include the financial statements of the parent and of the entities it controls (its subsidiaries).

CENIT exercises control when CENIT has power over the investee, is exposed to variable returns from its involvement with the investee and has the ability to affect the amount of those returns through its power over the investee. If CENIT does not hold the majority of voting rights, it still controls the investee if it has the unilateral ability to direct relevant activities of the investee through its voting rights in practice.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control by the parent ceases.

As of 1 January 2020, CENIT acquired an additional share of 45 percent in SynOpt GmbH, thus increasing its interest from 55 to 100 percent. By merger agreement dated 5 May 2020, SynOpt GmbH was merged into CENIT AG with retroactive accounting effect as of 1 January 2020. The entry in the commercial register was made on 16 July 2020.

	in EUR k
Carrying amount of non-controlling interests acquired	217
Purchase price paid to non-controlling interests	218
Drop in equity of the shareholders of the parent	**-1**

The drop in equity of the shareholders of the parent led to a EUR 1 k reduction in revenue reserves.

CENIT Software Technology (Suzhou) Co., Ltd., China, was founded in the reporting period and included in the consolidated financial statements of CENIT for the first time as of 30 June 2020.

The Group’s investments in joint ventures are accounted for using the equity method.

Intercompany sales, income and expenses and all intercompany assets and liabilities as well as equity between the consolidated entities were eliminated in full as part of the consolidation.

The following entities have been included in the consolidated financial statements of CENIT in accordance with IFRS 10 or IFRS 11/IAS 28 respectively (shareholdings pursuant to Sec. 313 (2) HGB):

No.	Entity	Currency	%	Sub-scribed capital	Date of purchase accounting
1	CENIT Aktiengesellschaft Stuttgart, Germany	EUR	---	8,368	Parent
2	CENIT (Schweiz) AG Effretikon, Switzerland	CHF	100	500	26 October 1999
3	CENIT NORTH AMERICA Inc., Auburn Hills, USA	USD	100	25	29 November 2001
4	CENIT SRL Iasi, Romania	RON	100	344	22 May 2006
5	CENIT France SARL Toulouse, France	EUR	100	10	26 April 2007
6	CENIT Japan K.K. Tokyo, Japan	YEN	100	34,000	13 May 2011
7	Coristo GmbH Mannheim, Germany	EUR	51.0	25	1 January 2016
8	KEONYS SAS Suresnes, France	EUR	100	155	1 July 2017
9	KEONYS Belgique SPRL Waterloo, Belgium	EUR	100	19	1 July 2017
10	KEONYS NL BV Houten, Netherlands	EUR	100	18	1 July 2017
11	CENIT Software Technology (Suzhou) Co. Ltd. Suzhou, China	CNY	100	3,695	30 June 2020
12	CenProCS AIRliance GmbH Stuttgart, Germany	EUR	33.3	150	16 November 2007

2. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

The goodwill resulting from the acquisition of a subsidiary or of an entity under common control is initially measured at cost, being the excess of the cost of the acquisition over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of the impairment test to be carried out annually, the goodwill acquired as part of the acquisition is allocated from the acquisition date to the Group's cash-generating units that are expected to benefit from the business combination.

Each impairment loss on goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill can no longer be reversed in future periods.

3. Investment in a joint venture

CENIT has held a 33.33% investment in a joint venture, CenProCS AIRliance GmbH (CenProCS), since 16 November 2007. A contractual agreement has been signed by the shareholders, CENIT AG Stuttgart, PROSTEP AG Darmstadt and CS SI LePlessis Robinson, France, on the provision of packaged services by the shareholders in the area of information technology as well as the coordination and marketing of these services to a major customer. CenProCS passes on the orders from a major customer exclusively to its shareholders, does not have any business activities of its own and is thus not exposed to any entrepreneurial risks directly. CenProCS is subject to the common control of the shareholders.

The CENIT Group accounts for its investment in CenProCS using the equity method. Under the equity method, the investment in CenProCS is carried in the statement of financial position at cost plus post-acquisition changes in the CENIT Group's share of CenProCS's equity. During formation of the entity, CENIT AG made a cash contribution of EUR 50 k.

Gains and losses on transactions between the Group and the joint venture are eliminated in proportion to the investment in CenProCS.

The financial statements of CenProCS are prepared with the same end of the reporting period as the financial statements of the CENIT Group. Where necessary, adjustments are made to comply with the Group's uniform accounting policies.

After application of the equity method to the CENIT Group's investment in CenProCS, the parent company determines whether it is necessary to recognize an additional impairment loss on the investment. The Group determines at the end of each reporting period and as the need arises whether there is any objective evidence that the investment in the joint venture is impaired. For example, objective evidence exists in the case of payment difficulties. If this is the case, the Group recognizes the difference between the fair value of the investment in CenProCS and the cost of the investment as an impairment loss in the income statement.

4. Foreign currency translation

The presentation currency is the parent company's functional currency. The functional currency concept is applied to translate the financial statements prepared in foreign currency by the entities included in the basis of consolidation. The functional currency of the group entities is their respective local currency. Financial statements prepared in functional currency are translated to the Group's presentation currency using the modified closing rate method. Assets and liabilities are translated at the closing rate, with equity translated at the historical rate and income and expenses at the annual average rate.

The difference arising from translation of the individual financial statements is recognized directly in equity. A figure of EUR -117 k was recognized directly in equity in the reporting period (prior year: EUR 48 k). When subsidiaries are sold, the exchange differences recognized in equity relating to these entities are released to profit or loss.

Foreign currency transactions are generally translated at the current rate as of the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the annual closing rate. Non-monetary items that were measured at their historical cost are translated at the rate of the transaction date, while non-monetary items that were measured at their fair value are translated at the rate which was current at the time the fair value was determined. Differences arising from currency translation at closing rates are recognized in profit or loss. Exchange losses of EUR 331 k overall were recognized in profit or loss in the reporting period (prior year: EUR 57 k).

The following exchange rates were used for currency translation:

in EUR	Closing rate		Annual average rate	
	31 Dec. 2020	31 Dec. 2019	2020	2019
CHF	1.0802	1.0854	1.0703	1.1124
USD	1.2271	1.1234	1.1413	1.1195
RON	4.8683	4.7830	4.8380	4.7453
YEN	126.49	121.94	121.78	122.01
CNY	8.0225		7.8708	

D Accounting policies

Purchased intangible assets with finite useful lives (mainly software) are recognized at cost less accumulated amortization and impairment. Amortization of intangible assets not acquired as part of a business combination is performed systematically using the straight-line method over the expected economic useful life, which is generally three years.

In the case of intangible assets acquired for consideration in connection with a business combination (mainly customer bases), the acquisition costs of the intangible assets are equal to their fair value. They are reduced by amortization over the expected useful life using the straight-line method. The useful life of the identified customer base is five to twelve years. CENIT determines the useful life based on the expected period in which cash inflows can be generated from the respective customer base. The useful life of technologies is ten years, while it is one year for the identified order backlog and generally three years for other intangible assets.

Purchased intangible assets with indefinite useful lives (goodwill) are recognized at cost less accumulated impairment. These intangible assets are not amortized. They are tested for impairment at least once a year for the individual asset or at the level of the cash-generating unit. Impairment testing of the goodwill is based on a value in use calculation using cash flow projections based on 5-year financial plans approved by management (discounted cash flow method). The useful life of an intangible asset with an indefinite useful life is checked once a year to determine whether the assessment of an indefinite useful life is still justified. If this is not the case, a prospective change of the assessment from an indefinite to a definite useful life is made.

As in the prior year, there are no intangible assets with indefinite useful lives as of the reporting date except for goodwill.

Gains or losses from the derecognition of intangible assets are determined as the difference between the net realizable value and the carrying amount of the asset and are recognized in income in the period in which the asset is derecognized.

Internally generated intangible assets are not capitalized due to non-fulfillment of the cumulative criteria in IAS 38.57. Like costs incurred for research activities, non-capitalizable development costs are also recognized as an expense in the period incurred.

Property, plant and equipment are recognized at cost, net of accumulated straight-line depreciation and/or accumulated impairment losses. Cost comprises expenses directly attributable to the acquisition of the items. Subsequent costs are only recognized in the carrying amount of the asset or as a separate asset if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. Maintenance costs are recorded directly as expenses. Items of property, plant and equipment are depreciated on the basis of their estimated useful lives. The useful life of plant and machinery is three to five years, and five to ten years for furniture and fixtures. Buildings on the Group's premises are depreciated over a period of 33 years, or eight to 15 years for land improvements. Buildings on third-party land (leasehold improvements) are depreciated over the terms of the lease agreements. No material residual values had to be considered when determining the amount of depreciation.

Residual values, depreciation and amortization methods and the useful life of property, plant and equipment and intangible assets are reviewed annually and adjusted if changes take place. A write-down to the recoverable amount is thus performed in accordance with IAS 36.59 if the carrying amount is higher. Any changes required are taken into account prospectively as changes in estimates.

Intangible assets or property, plant and equipment are derecognized either upon disposal or when no further economic benefits are expected from their further use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the asset is derecognized in the items for other income or other expenses.

An **impairment test** is performed at the end of each reporting period for all intangible assets and property, plant and equipment if events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in profit or loss for items of property, plant and equipment and intangible assets carried at cost.

A reversal of impairment losses recognized in prior years is recorded for assets, with the exception of goodwill, when there is an indication that the impairment losses no longer exist or could have decreased. The reversal is posted as a gain in the income statement. The increased carrying amount cannot exceed the carrying amount that would have been determined, net of amortization or depreciation, if no impairment loss had been recognized for the asset in prior years.

Leases

As the lessee

On the commencement date or when a contract containing a lease component is amended, the Group breaks down the contractually agreed consideration based on the relative stand-alone selling prices. At the commencement date, the Group recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which corresponds to the initial measurement of the lease liability, adjusted for payments made on or before the commencement date, plus any initial direct costs as well as the estimated cost of dismantling or removing the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is then depreciated from the commencement date to the end of the lease term using the straight-line method, unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In this case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined in line with the rules for property, plant and equipment. Additionally, the right-of-use asset is continuously corrected for impairment losses, where necessary, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments outstanding as of the commencement date, discounted using the Group’s incremental borrowing rate. To calculate the incremental borrowing rate for matching terms and collateral, CENIT obtains interest rates from external financing sources and makes asset-specific adjustments as necessary.

The lease payments included in the measurement of the lease liability comprise:

– fixed payments, including in-substance fixed payments

– variable lease payments that depend on an index or a(n interest) rate, initially measured using the index or (interest) rate as at the commencement date

– lease payments for a renewal option, if CENIT is reasonably certain that it will exercise this option

The lease liability is measured at amortized cost using the effective interest method. It is remeasured if the future lease payments change due to a change in an index or (interest) rate, if the Group changes its view of exercising a renewal or termination option or an in-substance fixed lease payment changes. In the statement of financial position, the Group presents right-of-use assets under property, plant and equipment. The lease liabilities are presented in current liabilities or non-current liabilities depending on their remaining term.

CENIT has decided not to recognize right-of-use assets and lease liabilities for leases of low-value assets. The Group recognizes the lease payments linked to those leases as an expense over the term of the lease using the straight-line method.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities include in particular primary financial instruments such as cash and cash equivalents, trade receivables and trade payables as well as loans originated or borrowed and other receivables and liabilities. Financial liabilities generally give rise to the right to receive settlement in cash or another financial asset. There are no derivative financial instruments at CENIT. Financial instruments are recognized as soon as CENIT becomes party to the contractual provisions of the financial instrument.

Regular way purchases or sales of financial assets are recognized as of the trading date.

Depending on the Group's business model for controlling the assets and the question whether the contractual cash flows of the financial instruments are solely payments of principal and interest on the principal amount outstanding, the existing financial instruments are classified either 'at amortized cost' (AC), 'at fair value through profit or loss' (FVTPL) or 'at fair value recognized through other comprehensive income' (FVOCI) and measured accordingly.

The fair value corresponds to the market value. If there is no active market, the fair value is calculated using actuarial methods.

The recognition and measurement of financial instruments at amortized cost is explained in detail below, as this category is materially important for the consolidated financial statements. If there are financial instruments in the categories FVTPL or FVOCI, the required disclosures are made in sections E and F.

Financial instruments measured at amortized cost (AC)

The Group measures financial instruments at amortized cost if both of the following conditions are met:

- The financial asset or the financial liability is held within a business model whose objective is to control assets and
- The contractual terms of the financial asset or financial liability give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized through profit or loss in the period when the asset is derecognized, modified or impaired.

Trade receivables are non interest bearing and are recognized at the transaction price less impairment losses due to their short-term nature. Expected credit losses are determined using the simplified method based on the loss rate (1.6%). Because of the coronavirus crisis and the resulting financial difficulties of individual customers, management considers that there is an increased default risk as of 31 December 2020. To account for this risk, a risk markdown of 5% was recorded on trade receivables past due by more than 90 days.

Unlike trade receivables, **contract assets** are dependent on the occurrence of a future condition. Impairment losses on contract assets are calculated in line with the same principles as for trade receivables.

Cash and cash equivalents are cash, checks and on-demand bank balances with an original term of less than 3 months. These are recognized at nominal value.

Lease liabilities are recognized at the present value of the outstanding minimum lease payments.

Trade payables and **other financial liabilities** are due in the short term and are recognized at nominal value.

Interest-bearing **bank loans** including overdrafts are recognized at the pay-out amount received less the directly allocable issuing costs on the date of initial recognition. Finance costs, including premiums payable on repayment or settlement, are recognized as an interest expense using the effective interest method and increase the carrying amount of the instrument to the extent that it will only lead to the outflow of payments at a date in the future.

Impairment losses

IFRS 9 has introduced a model for calculating impairment losses based on expected credit losses.

For trade receivables and contract assets, a simplified approach is used to calculate the impairment loss that provides for an impairment loss for the amount of the expected credit loss over the remaining term.

For cash and cash equivalents, this practical expedient is used for financial instruments with a low credit risk as of the end of the reporting period.

The probabilities of default used to calculate expected credit losses on trade receivables and contract assets comprise individual and constantly updated data regarding counterparty risk, such as the payment history and company and industry data, taking forward-looking assumptions into account. If there is objective evidence that a default event will occur, the individual default risk is taken into account in the impairment loss alongside expected credit losses. Objective evidence includes, for example, significant financial difficulties of the debtor, payment default and delayed payments, downgraded credit rating, insolvency and other observable data that indicate a considerable reduction in expected payments. CENIT checks at the end of each reporting period whether the credit risk of the receivable has changed and adjusts the valuation allowance as necessary.

The **inventories** reported are measured at the lower of cost and net realizable value. Costs of conversion are determined on the basis of directly allocable costs. Net realizable value is the estimated sales proceeds less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents are measured at cost. They comprise cash on hand, bank balances and short-term deposits with an original maturity of less than three months.

Pension obligations and similar obligations result from obligations to employees. The contributions to statutory pension insurance are generally classified as defined contribution plans in accordance with IAS 19. The amounts payable in connection with defined contribution plans are expensed as soon as the obligation to pay arises and are reported as personnel expenses. The exception to this rule involves pension commitments at CENIT Switzerland.

The LOB pension plans in place at CENIT Switzerland qualify as defined benefit plans in accordance with IAS 19 due to the statutory minimum interest and conversion rate guarantees. Likewise, the pension payment that the Group must pay in France when an employee enters retirement must be recognized as a defined benefit plan in accordance with IAS 19. The cost of providing benefits under these benefit plans is determined using the projected unit credit method. The plan assets available to cover the pension obligations are offset against the pension obligations in accordance with the rules in IAS 19.

Provisions are reported at the best estimate of the amount required to settle the obligation. They are created for legal or constructive obligations resulting from past events when it is probable that the settlement of the obligation will lead to an outflow of resources and the amount of the obligation can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to the provision is presented in the income statement net of any reimbursement. Provisions are discounted where the remaining term is longer than one year. The discount rate chosen is a pre-tax rate that reflects the risks specific to the liability. Discount rate adjustments are recorded as an interest expense.

Liabilities are disclosed in the notes to the financial statements as **contingent liabilities** for possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods should be measured at the amount expected to be recovered from or paid to the taxation authorities. The **current tax expense** is determined on the basis of the taxable income for the year. Taxable income differs from the net profit taken from the consolidated income statement in that it does not include expenses and income that are never taxable or tax deductible or only taxable or tax deductible in later years. The calculation is based on the tax rates and tax laws applicable as of the end of the reporting period.

Deferred taxes are recorded on temporary differences between the tax base and the carrying amount in the consolidated financial statements according to the balance-sheet-oriented liability method described in IAS 12.

Deferred tax liabilities are recognized in principle for all taxable temporary differences.

Deferred tax assets are recognized in principle for all deductible temporary differences, unused tax losses and unused tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses and unused tax assets can be utilized. In the case of entities with a history of losses, deferred tax assets on unused tax losses are recognized only if it is probable (>50%) that the unused tax losses can be used in the future in line with the strategic business planning.

The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

Deferred taxes on temporary differences are calculated at the tax rate that is expected to apply for the period when the asset is realized or the liability is settled. Deferred tax assets and deferred tax liabilities are calculated according to the laws and regulations enacted or substantively enacted at the end of the reporting period.

Income tax implications related to the items posted directly to equity are also recorded directly under equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

CENIT generates **revenue** from the licensing of (standard) software (proprietary software and third-party software), software updates (for proprietary software and third-party software), the provision of IT services as well as the provision of consulting services for the planning, implementation and optimization of business and IT processes. Revenue is also generated from the sale of goods.

At CENIT, the different products are categorized according to the following contract types:

- Royalties – these encompass the revenue from software and software updates
- Fixed-price projects
- Sale of services – this encompasses revenue from service and consulting projects
- Sale of goods – this encompasses revenue from hardware sales

Software licenses

Royalties from granting temporary licenses – to the extent that the software grants a right to use the intellectual property as of the date of granting the license – and income from the sale of permanent licenses are recognized when the software has been provided to the customer (revenue recognition at a point in time).

Royalties from software as a service are recognized pro rata over the term of rendering the service. Royalties from software as a service are generally charged annually or quarterly in advance. The advance payments received for future services are recognized as contract liabilities.

The average payment term of customers is between five and 30 days after invoicing.

Software updates

This includes revenue from contracts that grant the customer access to software updates. These updates mainly involve error resolution, improved performance or adjustments to changed framework conditions.

Royalties from software updates are recognized pro rata over the term of rendering the service. Royalties from software updates are generally charged annually or quarterly in advance. The advance payments received for future services are recognized as contract liabilities.

The average payment term of customers is between five and 30 days after invoicing.

Services (consulting & service)

Revenue from services charged on an hourly basis relates to consulting services, training, application and user support. For these services, revenue recognition generally takes place monthly based on hours worked.

If there are multiple element arrangements that comprise the sale of software licenses and services, these are examined to determine if one or several performance obligations exist. If several performance obligations are identified, the transaction price is allocated in proportion to the relative stand-alone selling prices. CENIT bases its derivation on its own stand-alone selling prices or, if these are not available, on relative stand-alone selling prices for comparable industry transactions. Revenue recognition for the separate performance obligations can take place at a point in time or over time, depending on when the customer has control of the service. In general, performance obligations that involve the sale of software meet the prerequisites for revenue recognition at a point in time. Such contracts mainly relate to orders where CENIT offers integrated consulting, software and after-sales services to the customer as an end-to-end provider.

The average payment term of customers is between five and 30 days after invoicing.

Fixed-price projects

Income from contracts for which a fixed price was agreed (generally contracts for work in connection with software programming or implementation) is recognized in accordance with the percentage of completion provided that the outcome can be measured reliably. When the outcome can be measured reliably, contract revenue and contract costs associated with the project should be recognized as part of the contract costs incurred for the work in relation to the expected contract costs by reference to the stage of completion of the contract activity at the end of the reporting period. Changes to contracted work, claims and bonus payments are included to the extent that they are agreed with the customer in writing. If the outcome of a project cannot be measured reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. An expected loss is recognized as an expense immediately as soon as this loss is probable.

The average payment term of customers is between five and 30 days after invoicing.

Merchandise

Revenue from merchandise relates chiefly to the sale of end devices. Sales of merchandise are recognized when the performance obligation has been met through delivery to the purchaser.

The average payment term of customers is between five and 30 days after invoicing.

Government grants

Government grants are recognized once there is reasonable assurance that the Group will meet the conditions tied to the grant and receive the grants materially. Income is recognized in the same way as expenses associated with the grants.

Dividends and interest income

Dividend income is recognized when the Group's right to receive the payment is established.

Interest income is recognized as the interest entitlement accrues (using the effective interest method, i.e. the rate used to discount estimated future cash flows over the expected life of the financial instrument to the net carrying amount of the financial asset).

Significant accounting judgments, assumptions and estimates

According to the opinion of the Management Board, the following judgments, assumptions and estimates had the most significant effect on the amounts recognized in the consolidated financial statements.

- It is not permissible to recognize research costs as assets. Development costs may only be recognized as an asset if all of the conditions for recognition pursuant to IAS 38.57 are satisfied, if the research phase can be clearly distinguished from the development phase and material expenditure can be allocated to the individual project phases without overlap. On account of numerous interdependencies within development projects and uncertainty about whether some products will reach marketability, some of the conditions for recognition pursuant to IAS 38 are not currently satisfied based on CENIT's estimates. Development costs of EUR 10,489 k (prior year: EUR 10,332 k) are consequently not capitalized.
- Assessing the separability of the performance obligations for multiple element arrangements is based on an assessment of whether the different contractual components have a separate value for the customer and can be separated from the other components and is thus subject to certain discretionary decisions. This assessment is based on the underlying contract and the knowledge on the date of signing the contract. Allocating the transaction price to the different contractual components is likewise subject to certain discretionary decisions. This is particularly relevant for CENIT in relation to the separation of software license services and software update services. CENIT bases such decisions on its own stand-alone selling prices or, if these are not available, on relative stand-alone selling prices for comparable industry transactions.
- Determining the percentage of completion is subject to certain discretionary decisions with regard to estimating the contract costs yet to be incurred. The estimate is based on the knowledge available as of the end of the reporting period.

- The cost and present value of defined benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that can differ from actual developments in the future. These include the determination of the discount rates, future wage and salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period.
- When determining provision amounts to be recognized, assumptions must be made on the probability that there will be an outflow of resources. While these assumptions constitute the best estimate of the situation underlying the matter, they are subject to uncertainty because of the necessary use of assumptions. When measuring the provisions, assumptions also have to be made on the amount of the possible outflow of resources. A change in the assumptions can therefore lead to a difference in the amount of the provision. The use of estimates thus also leads to uncertainties here.
- Determining the recoverable amount of the cash-generating units “SAP-PLM” and “KEONYS FR” for impairment testing of the goodwill is based on a value in use calculation using cash flow projections based on 5-year financial plans approved by management. The cash flows from the expected revenue are derived from the strategic alignment of the respective business division and the strategy of the CENIT Group using the expected product mix, and the expected cash outflows are calculated based on this.

E Income statement

1. Revenue

The breakdown of revenue by business unit and region is presented in the segment reporting in note H. Revenue is also broken down into the following categories:

Breakdown of sales by product/income type

	2020	2019
Third-party software (including software updates)	92,513	105,628
CENIT consulting and service	38,491	49,486
CENIT software (including software updates)	15,927	16,355
Merchandise	309	242
Total	**147,240**	**171,711**

Breakdown of sales by contract type

in EUR k		2020	2019
Royalties		**108,440**	**121,983**
	PLM	100,694	112,441
	EIM	7,746	9,542
Sale of goods and services		**37,215**	**46,659**
	PLM	31,321	40,233
	EIM	5,894	6,426
Fixed-price projects		**1,585**	**3,069**
	PLM	1,536	3,005
	EIM	49	64
Total		**147,240**	**171,711**

The revenue results from ordinary activities.

As of the end of the reporting period, there are contract assets (F7) of EUR 2,469 k (prior year: EUR 3,727 k) and contract liabilities (F17) of EUR 13,896 k (prior year: EUR 14,425 k). Contract liabilities of EUR 14,425 k recognized at the beginning of the year are included in full in income.

Development of orders

Order intake in the CENIT Group stood at EUR 137,853 k in the past 2020 reporting period (prior year: EUR 165,545 k). The order backlog as of 31 December 2020 amounted to EUR 37,836 k (prior year: EUR 47,223 k), which corresponds to the overall amount of the transaction price allocated to the unfulfilled performance obligations as of 31 December 2020. Of the order backlog, EUR 37,836 k (prior year: EUR 47,223 k) will be turned into sales within one year.

2. Research and development costs

In 2020, all of the product development was non-project-related, which does not, however, meet the recognition criteria in IAS 38.57. The development costs incurred for the projects of EUR 10,489 k (prior year: EUR 10,332 k) were recognized as an expense in the reporting period.

3. Other income

Other income breaks down as follows:

in EUR k	2020	2019
Income from tax credit	541	423
Income from the cross-charging of marketing and administrative costs	304	268
Income from exchange differences	126	229
Income from the reversal of provisions	108	174
Income from insurance refunds/damages	29	134
Income from pre-school subsidy	38	44
Income from the sale of non-current assets	0	1
Other income	13	17
Total*	**1,159**	**1,290**

*The prior-year figure was adjusted for income from impaired receivables. These are presented separately in the income statement in the reporting period.

The income from exchange differences stemmed in particular from the translation of US dollars and Swiss francs.

In France, entities are granted government grants, termed ‘research and development tax credit (CIR)’. The R&D tax credit amounts to 30% of the qualifying expenses. These include expenses for basic research as well as applied research and development costs. The tax credit is taken into account by crediting it to the corporate tax liability or – if it cannot be credited in full – by payment of the receivable. In 2020, KEONYS SAS reported income of EUR 541 k from this tax credit (prior year: EUR 423 k) in other income.

4. Cost of materials

This item contains the cost of purchased third-party software of EUR 70,946 k (prior year: EUR 80,151 k) and the cost of purchased services of EUR 4,434 k (prior year: EUR 6,108 k).

5. Personnel expenses

The disclosure essentially relates to salaries, voluntary social benefits, allocations to the provision for vacation, profit participations and Management Board bonuses as well as social security and pension costs.

in EUR k	2020	2019
Wages and salaries	44,425	49,345
Social security and pension costs	10,390	10,955
Total	**54,815**	**60,300**

Pension costs mainly include employer contributions to statutory pension insurance. With the exception of Switzerland, the statutory pension insurance is organized as a defined contribution plan. CENIT also offers its employees in Germany the option of making contributions to a pension trust fund or direct insurance by means of deferred compensation. For these defined contribution plans, the employer does not enter into any obligations. The value of future pension payments is based exclusively on the value of the contributions paid by the employer for the employees to the external welfare provider, including income from the investment of said contributions.

The Swiss LOB pension plans and the pension payments in France are designed as defined benefit plans in accordance with IAS 19. We refer to the comments in note F18.

An annual average (on a quarterly basis) of 719 (prior year: 742) persons were employed by the Group, plus 49 trainees (prior year: 54).

The number of employees as of the end of the reporting period came to 711 (prior year: 737). 467 of those were employed in Germany, 194 in other EU countries and 50 in other countries.

Short-time work was used in the reporting period to compensate for personnel expenses of EUR 2,257 k. In addition, CENIT was refunded social security contributions of EUR 452 k as part of the short-time work scheme, which reduced personnel expenses in the income statement.

Personnel expenses comprise termination benefits totaling EUR 602 k (prior year: EUR 373 k). EUR 260 k (prior year: EUR 181 k) are reported under liabilities as of the end of the reporting period, as they did not yet affect cash. In the reporting period, the liabilities include severance payments of EUR 369 k from earlier reporting periods (prior year: EUR 369 k).

6. Amortization of intangible assets and depreciation of property, plant and equipment

Amortization and depreciation is broken down in the statement of changes in non-current assets presented in notes F1 and F2.

7. Other expenses

in EUR k	2020	2019
Travel expenses	740	2,218
Legal and consulting fees	1,231	1,257
Motor vehicle costs	993	1,142
Advertising costs	622	1,122
Premises expenses	923	994
Repairs and maintenance	879	974
Telecommunication and office supplies	796	953
Other personnel expenses	370	523
Insurance	418	459
Rent and lease expenses	145	427
Expenses from exchange losses	457	369
Training	170	170
Internal events	47	83
Supervisory Board compensation	90	68
Losses from disposals of assets	0	3
Other	400	397
Total	**8,281**	**11,159**

*The prior-year figure was adjusted for impairment losses on receivables. These are presented separately in the income statement in the reporting period.

8. Impairment expense from trade receivables

The impairment expense from trade receivables breaks down as follows:

in EUR k	2020	2019
Income from impaired receivables	364	55
Impairment losses on receivables and bad debts	694	100
Total	**330**	**45**

9. Interest result

The total interest income and total interest expenses break down as follows:

in EUR k	2020	2019
Interest income from bank balances	0	1
Total interest income	**0**	**1**
Utilization of credit lines and guarantees	5	8
Interest expenses for business taxes	23	7
Interest expenses from unwinding of the discount on accrued liabilities	17	91
Interest expenses from leases	152	176
Net interest from the measurement of pension obligations	5	16
Total interest expenses	**202**	**298**
Interest result	**-202**	**-297**

10. Income taxes

Income taxes contain German corporate income tax including solidarity surcharge and trade tax. Comparable taxes of foreign subsidiaries are also shown in this item.

Expenses from income taxes break down as follows:

in EUR k	2020	2019
Current tax expense	1,312	2,476
Change in deferred taxes	-175	-539
Total	**1,137**	**1,936**

The current tax expense includes expenses of EUR 27 k relating to other periods (prior year: EUR 24 k) and income of EUR 23 k relating to other periods (prior year: EUR 15 k). These stem from tax back payments / refunds arising from the tax assessment for prior years issued in the reporting period.

Deferred taxes are calculated using the individual company tax rate. These are as follows:

in %	2020	2019
CENIT	31.00	31.00
CENIT CH	27.00	22.00
CENIT NA	24.00	24.00
CENIT RO	16.00	16.00
CENIT F**	26.5/25.0	28.00
CENIT J***	34.00	39.43
CORISTO	31.00	31.00
KEONYS FR**	26.5/25.0	28.00
KEONYS BE*	25.00	29.00
KEONYS NL	25.00	25.00
CENIT CN	25.00	

*With effect from the 2019 tax year, the general corporate income tax rate in Belgium is 29% (previously 33%); it will be reduced further to 25% for the 2021 tax year.

**With effect from the 2020 tax year, the general corporate income tax rate in France is 26.5% (previously 28%); it will be reduced further to 25% for the 2022 tax year.

***For fiscal year 2020, the tax rate for CENIT J was reduced from 39.43% to 34% to adjust for the effective tax burden.

The expected tax burden on the taxable profit is 31% as of the end of the reporting period (prior year: 31%) and is calculated as follows:

in %	2020	2019
Trade tax at a rate of 433.6% (prior year: 433.6%)	15.17	15.17
Corporate income tax	15.00	15.00
Solidarity surcharge (5.5% of corporate income tax)	0.83	0.83
Effective tax rate	**31.00**	**31.00**

CENIT thus bases its tax rate on that of CENIT AG, as the company makes the main contribution to the Group's earnings.

The difference between the current tax expense and the theoretical tax expense that would result from a tax rate of 31% (prior year: 31%) for CENIT AG breaks down as follows:

in EUR k	2020	2019
Net profit or loss for the period before taxes (EBT)	3,429	8,898
Theoretical tax expense based on a tax rate of 31% (prior year: 31%)	-1,063	-2,758
Non-deductible expenses	-179	-179
Tax-free income	376	372
Use of unused tax losses	15	711
Expenses relating to other periods	-4	-9
Effects of different tax rates within the Group and tax rate changes	-286	-68
Other	3	-5
Income tax expense according to the consolidated income statement	-1,137	-1,936
Tax rate	33.2%	21.8%

The effects of different tax rates within the Group include tax expenses that do not relate to EBT of EUR -236 k (prior year: EUR -298 k).

11. Earnings per share

Earnings per share are calculated in accordance with the rules in IAS 33, Earnings per Share, by dividing the Group's net income or loss by the weighted average number of shares outstanding during the reporting period. Basic earnings per share do not take into account any options; they are calculated by dividing the net income/loss attributable to shares after non-controlling interests by the average number of shares. Earnings per share are diluted if, in addition to ordinary shares, equity instruments are issued from capital stock that could lead to a future increase in the number of shares. Options or warrants are taken into account only if the average share price for the ordinary shares during the reporting period exceeds the strike price of the options or warrants. This effect is calculated and stated accordingly.

The following reflects the underlying amounts used to calculate the basic and diluted earnings per share:

in EUR k	2020	2019
Net profit/loss attributable to ordinary shareholders of the parent	2,318	6,872
Weighted average number of ordinary shares used to calculate basic earnings per share	8,367,758	8,367,758

No treasury shares were held as of the end of the reporting period.

There have been no transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and the date of preparing the consolidated financial statements.

Based on IAS 33.49, basic and diluted earnings per share total EUR 0.28 (prior year: EUR 0.82), as there were no dilutive effects.

12. Dividends paid and proposed

Declared and paid dividends on ordinary shares during the reporting period:

in EUR k	2019	2018
Final dividend for 2019: EUR 0.00 (2018: EUR 0.60)	0	5,021

The Management Board and Supervisory Board of CENIT AG will propose to the General Meeting of Shareholders on 20 May 2021 that a dividend of EUR 0.47 be distributed from the retained earnings of CENIT AG.

in EUR k	2020	2019
Final dividend for 2020: EUR 0.47 (prior year: EUR 0.00)	3,933	0

The payment of dividends by CENIT AG to the shareholders does not have any income tax implications for CENIT AG.

F Statement of financial position

1. Intangible assets

Intangible assets developed as follows in 2020:

in EUR k	Software and licenses	Customer base	Goodwill	Total
Cost				
As of 1 January 2020	**8,341**	**12,813**	**6,905**	**28,058**
Exchange difference	-10	10	0	0
Additions	427	0	0	427
Disposals	72	0	0	72
As of 31 December 2020	**8,685**	**12,823**	**6,905**	**28,413**
Accumulated amortization				
As of 1 January 2020	**7,055**	**8,502**	**278**	**15,835**
Exchange difference	-10	10	0	0
Additions	767	817	0	1,584
Disposals	71	0	0	71
As of 31 December 2020	**7,741**	**9,329**	**278**	**17,348**
Net carrying amounts	**944**	**3,494**	**6,627**	**11,065**
Cost				
As of 1 January 2019	**7,887**	**12,737**	**6,905**	**27,529**
Exchange difference	3	76	0	79
Additions	494	0	0	494
Disposals	43	0	0	43
As of 31 December 2019	**8,341**	**12,813**	**6,905**	**28,058**
Accumulated amortization				
As of 1 January 2019	**6,243**	**7,490**	**278**	**14,011**
Exchange difference	2	76	0	78
Additions	853	936	0	1,789
Disposals	43	0	0	43
As of 31 December 2019	**7,055**	**8,502**	**278**	**15,835**
Net carrying amounts	**1,286**	**4,311**	**6,627**	**12,223**

Amortization was reported in the income statement under amortization of intangible assets and depreciation of property, plant and equipment.

The customer base from purchase accounting of Conunit GmbH (EIM segment) was amortized in the reporting period. The net carrying amount as of the end of the reporting period totals EUR 0 k (prior year: EUR 118 k). In addition, software acquired as part of the business combination was capitalized which was likewise amortized in the reporting period and has a net carrying amount of EUR 0 k as of the end of the reporting period (prior year: EUR 11 k).

The software from purchase accounting of SPI Numérique SARL (PLM segment) has a net carrying amount of EUR 165 k as of the end of the reporting period (prior year: EUR 248 k). The remaining amortization period as of the end of the reporting period is three years and three months.

The customer base from purchase accounting of Coristo GmbH was amortized in the reporting period. The carrying amount is EUR 0 k as of 31 December 2020 (prior year: EUR 273 k). The acquired goodwill of Coristo GmbH with a carrying amount of EUR 1,272 k (prior year: EUR 1,272 k) was allocated to the cash-generating unit “PLM-SAP” to test for impairment, which also constitutes a reportable business segment.

The customer base of KEONYS SAS identified as part of purchase accounting of the KEONYS Group has an amortization period of eight years and six months as of the end of the reporting period. The carrying amount is EUR 3,345 k as of the end of the reporting period (prior year: EUR 3,738 k). The goodwill with a carrying amount of EUR 5,355 k (prior year: EUR 5,355 k) acquired as part of the acquisition was allocated to the cash-generating unit “KEONYS FR” to test for impairment.

The customer base from purchase accounting of SynOpt GmbH has an amortization period of four years and six months as of the end of the reporting period. The carrying amount is EUR 149 k as of the end of the reporting period (prior year: EUR 182 k).

Impairment losses

As far as intangible assets with a finite useful life are concerned, there was no indication in the current 2020 reporting period that the useful life recognized needs to be adjusted.

The Group carried out an impairment test for goodwill.

The recoverable amounts of the cash-generating units “PLM-SAP” and “KEONYS FR” are determined based on a value in use calculation using cash flow projections based on 5-year financial plans approved by management. As part of the 5-year financial planning, the revenue is derived from the strategic alignment of the respective business division and the strategy of the CENIT Group using the expected product mix, and the expected costs are calculated from this.

The key assumptions when deriving the sales forecast for the “PLM-SAP” cash-generating unit is that the service area will be expanded slightly and that proprietary software will remain at the prior-year level. Costs are forecast based on the assumption that personnel expenses rise by 2% to 3% and all other expenses remain at the prior-year level.

The basis for deriving the sales forecast for the “KEONYS FR” cash-generating unit is that service and the sale of third-party software will be expanded slightly. In terms of expected costs, management assumes that personnel expenses will remain at the prior-year level for the 2021 reporting period, rise by around 2% from 2022 and that all other costs will remain unchanged.

The discount rate before taxes used for the cash flow projections is 10.2% for “PLM-SAP” (prior year: 8.72%) and 10.41% for “KEONYS FR” (prior year: 8.67%). Cash flows after the period of five years are extrapolated using a growth rate of 1% (prior year: 1%) for both cash-generating units. This growth rate is based on an estimate by the Management Board and corresponds to the long-term average growth rate in the market environment. The test showed that the value in use is higher than the carrying amount. As a result, there was no indication of a need to recognize an impairment loss since the date of purchase accounting, and goodwill remains unchanged.

2. Property, plant and equipment

Property, plant and equipment developed as follows in 2020:

in EUR k	Buildings including buildings on third-party land	Plant and machinery	Furniture and fixtures	Total
Cost				
As of 1 January 2020	**17,768**	**8,376**	**3,586**	**29,730**
Exchange difference	-47	-31	-14	-91
Additions	169	293	1,153	1,615
Disposals	289	33	707	1,029
As of 31 December 2020	**17,601**	**8,605**	**4,018**	**30,225**
Accumulated depreciation				
As of 1 January 2020	**4,086**	**7,184**	**1,983**	**13,254**
Exchange difference	-30	-29	-13	-72
Additions	2,550	667	1,162	4,379
Disposals	289	31	706	1,026
As of 31 December 2020	**6,317**	**7,791**	**2,426**	**16,535**
Net carrying amounts	**11,284**	**814**	**1,592**	**13,690**
Cost				
As of 1 January 2019	**2,781**	**7,827**	**1,146**	**11,754**
Exchange difference	7	10	-3	14
Addition from first-time application of IFRS 16	15,226	0	1,658	16,885
Additions	577	563	875	2,015
Disposals	823	24	91	938
As of 31 December 2019	**17,768**	**8,376**	**3,586**	**29,730**
Accumulated depreciation				
As of 1 January 2019	**1,655**	**6,496**	**950**	**9,101**
Exchange difference	2	9	-1	-10
Addition, depreciation IFRS 16	2,260	0	995	3,255
Additions	169	702	128	999
Disposals	0	23	88	111
As of 31 December 2019	**4,086**	**7,184**	**1,983**	**13,254**
Net carrying amounts	**13,681**	**1,192**	**1,603**	**16,476**

3. Investments recognized at equity and non-current other financial assets

CENIT AG holds a share of 33.3% in CenProCS AIRliance GmbH, an entity domiciled in Stuttgart. This entity specializes in providing packaged services of its partners, CENIT AG Stuttgart, PROSTEP AG Darmstadt and CS SI LePlessis Robinson, France, in the field of IT, as well as coordinating and marketing said services.

The joint venture listed above is included in these consolidated financial statements using the equity method.

The assets, liabilities and revenue of CenProCS AIRliance GmbH are as follows as of 31 December 2020:

in EUR k	2020	2019
Current assets (thereof cash: EUR 265 k (prior year: EUR 246 k))	3,930	8,366
Non-current assets	0	0
Current liabilities	3,759	8,186
Non-current liabilities	0	0
Equity	**171**	**180**
Revenue	48	48
Total comprehensive income	0	0
Carrying amount of the investment	**60**	**60**
Share of profit of the joint venture	0	0

Non-current other financial assets include the 5% capital involvement in DELTA Management Beratung GmbH amounting to EUR 2,500 k (prior year: EUR 2,500 k). Because the solution expertise of Delta Management GmbH and CENIT overlaps, the two companies want to build a clear lead as PLM experts in the fields of digital twin and real-time data integration, thus driving forward the digital transformation of companies in the areas of manufacturing and Industry 4.0. The investment was classified as at fair value through profit or loss. Measurement is at cost, which is seen as the best estimate of fair value and was confirmed by a market transaction at the end of 2019 as well as the course of business in 2020 as an indicator of value.

4. Deferred taxes

The recognition and measurement differences determined between the profit in the tax accounts and the financial statements under German commercial law and the adjustments of the financial statements under German commercial law of the consolidated entities to IFRS led to deferred taxes of the following amounts in the following items:

in EUR k	Deferred tax assets		Deferred tax liabilities	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Deferred tax assets on unused tax losses	1,597	1,747	0	0
Intangible assets	0	0	888	1,230
General valuation allowances	0	0	34	65
Receivables from service agreements	0	0	88	77
Other provisions and accrued liabilities	260	303	0	0
IAS 19 pension obligations	404	384	0	0
Consolidation procedures	2	20	0	0
Total	**2,262**	**2,454**	**1,010**	**1,372**
Netting	-987	-1,230	987	-1,230
Total	**1,275**	**1,224**	**23**	**142**

The changes in deferred taxes affected the income statement as follows:

in EUR k	2020	2019
Deferred tax assets on unused tax losses	-150	313
Intangible assets	342	285
General valuation allowances	31	6
Receivables from service agreements	-11	75
Other provisions and accrued liabilities	-43	-171
IAS 19 pension obligations	24	41
Consolidation procedures	-18	-10
Total	175	539

The change in deferred taxes on actuarial gains/losses from defined benefit obligations recognized in other comprehensive income of EUR -4 k (prior year: EUR 41 k) was recognized directly in equity.

As of 31 December 2020, no deferred income tax payables for temporary differences in connection with investments in subsidiaries of EUR 167 k (prior year: EUR 224 k) were recognized, as CENIT is in a position to control the timing of the reversal and the temporary differences are not expected to reverse in the foreseeable future.

As of the end of the reporting period, the Group had unused tax losses of EUR 6,296 k (prior year: EUR 6,419 k) for which deferred tax assets of EUR 1,597 k (prior year: EUR 1,747 k) were recognized. These relate to KEONYS FR (EUR 6,010 k, reported at EUR 1,502 k), CENIT CN (EUR 35 k, reported at EUR 9 k) and CENIT JP (EUR 251 k, reported at EUR 85 k). The deferred taxes are reported in full, as it is expected that the unused tax losses can be used in full in line with the strategic business planning.

5. Inventories

in EUR k	31 Dec. 2020	31 Dec. 2019
Merchandise (measured at cost)	0	235
Payments on account	12	22
Total	**12**	**258**

6. Trade receivables and receivables from investments recognized at equity

Trade receivables comprise receivables from third parties of EUR 14,562 k (prior year: EUR 20,395 k) and receivables from investments recognized at equity of EUR 2,514 k (prior year: EUR 4,413 k).

The age structure of trade receivables and receivables from joint ventures was as follows at the end of the reporting period:

in EUR k	TOTAL	thereof: impaired	thereof: not due as of the end of the reporting period	thereof: past due			
				less than 30 days	between 30 and 60 days	between 61 and 90 days	more than 90 days
2020	17,423	347	11,357	3,120	1,576	173	850
2019	25,178	370	14,999	5,007	3,553	519	730

Valuation allowances on trade receivables	in EUR k
As of 31 December 2019	370
Addition (+)/reversal (-)	-23
As of 31 December 2020	**347**

A breakdown of receivables by country is as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Germany	8,075	11,692
Europe	7,330	10,907
Third countries	1,671	2,209
Total	**17,076**	**24,808**

7. Contract assets

As of the end of the reporting period, there are contract assets from ongoing, unbilled projects totaling EUR 2,469 k (prior year: EUR 3,727 k). The contract assets relate first and foremost to CENIT's entitlements to counterperformance for services provided but unbilled as of the end of the reporting period. The contract assets will be reclassified to receivables when the rights become unconditional. This generally happens when the Group issues an invoice to the customer.

8. Other receivables

Other receivables break down as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Receivables from staff	177	43
Receivables from refunds of wage replacement and social security contributions	150	0
Receivables from deposits	282	290
Receivable from purchase price refund	83	75
Total	**692**	**408**

Other receivables are all short term, not past due and not impaired. As in the prior year, there are no long-term receivables in the reporting period.

9. Tax receivables

There were no long-term income tax receivables either in the current reporting year or in the prior year.

The short-term current income tax receivables of EUR 1,945 k in total (prior year: EUR 1,514 k) relate to entitlements from prepayments for corporate income tax and trade tax of EUR 563 k in total (prior year: EUR 742 k), receivables from the VAT prepayment amounting to EUR 877 k (prior year: EUR 434 k) as well as the recognition of a tax credit for research projects in France of EUR 505 k (prior year: EUR 338 k).

10. Cash and cash equivalents

Cash and cash equivalents break down as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Bank balances	26,052	18,457
Cash on hand	4	4
Cash in the statement of financial position	26,056	18,461
Cash presented in the statement of cash flows	**26,056**	**18,461**

Bank balances earn interest at floating rates based on daily bank deposit rates. The fair value of cash amounts to EUR 26,056 k (prior year: EUR 18,461 k).

The Group has credit lines of EUR 2,364 k as of the end of the reporting period (prior year: EUR 1,979 k). This includes a line of EUR 1,500 k that can be utilized both as a loan or as a guarantee. The Group utilized EUR 596 k of this amount as a guarantee as of the end of the reporting period (prior year: EUR 521 k).

11. Other financial assets

Other financial assets break down as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Prepaid maintenance fees	5,903	6,775
Prepaid rights of use and car insurance	706	800
Total	**6,609**	**7,574**

The prepaid maintenance fees involve prepayments by the CENIT Group that will be recorded as expenses in subsequent periods.

12. Equity

Capital stock

Since the resolution adopted on 13 June 2006 to increase capital from company funds and entry in the commercial register on 14 August 2006, the capital stock (issued capital) of CENIT AG amounts to EUR 8,367,758.00 and is fully paid in. It is split into 8,367,758 no-par value shares of EUR 1.00 each (prior year: 8,367,758 no-par value shares of EUR 1.00 each). The shares are bearer shares and are no-par value common shares only.

CENIT AG still holds no treasury shares.

Notes on the components of equity

The capital reserves contain the share premium realized from issuing shares of the parent company in excess of their nominal value. If the legal reserve and the capital reserves pursuant to Sec. 272 (2) Nos. 1 to 3 HGB together do not exceed a tenth of the capital stock or any higher amount stipulated in the articles of incorporation and bylaws, they may only be used in accordance with Sec. 150 AktG to offset a net loss for the year or a loss carryforward that is not covered by net income for the year or a profit carryforward respectively, and cannot be offset by releasing other revenue reserves.

Other revenue reserves and the legal reserve pursuant to Sec. 150 AktG contain the profits transferred to reserves.

The currency translation reserve contains the net differences resulting from translation of the subsidiaries' financial statements to the Group's functional currency that are offset against equity.

As of the end of the reporting period, there are total non-controlling interests of EUR 666 k in equity amounting to EUR 42,723 k. The non-controlling interests are held by private individuals, with 49% in Coristo GmbH.

13. Liabilities from leases

The lease liabilities are due as follows:

in EUR k	Future minimum lease payments	Interest payments	Present value
Less than one year	3,097	123	2,974
Between one and five years	7,125	208	6,917
More than five years	2,119	20	2,099
Total	**12,341**	**351**	**11,990**

14. Current income tax liabilities and other provisions

in EUR k	31 Dec. 2020	31 Dec. 2019
Current income tax liabilities	1,154	309
Other provisions	70	132
Total	**1,224**	**441**

The current income tax liabilities developed as follows:

in EUR k	
As of 1 January 2020	309
Utilization	-226
Reversal	-2
Addition	1,073
As of 31 December 2020	**1,154**

The other provisions cover all identifiable obligations to third parties in accordance with IAS 37. They developed as follows:

in EUR k	General Meeting of Shareholders	Outstanding purchase invoice	Total
As of 1 January 2020	**85**	**47**	**132**
Utilization	65	47	112
Reversal	20	0	20
Addition	70	0	70
As of 31 December 2020	**70**	**0**	**70**
of which long-term	0	0	0
of which short-term	70	0	70

The provisions will mainly be used in the following reporting period.

15. Trade payables and liabilities to investments recognized at equity

The liabilities are subject to customary retentions of title to the delivered goods.

in EUR k	31 Dec. 2020	31 Dec. 2019
Trade payables	3,270	5,964
Liabilities to investments recognized at equity	32	34
Total	**3,302**	**5,997**

Of the total liabilities, EUR 3,302 k is due within one year (prior year: EUR 5,997 k). These are not subject to interest.

16. Other liabilities

Other current liabilities break down as follows:

in EUR k	31 Dec.	31 Dec.
Vacation and bonus entitlements	3,054	4,348
VAT/wage tax payables	1,853	2,760
Outstanding purchase invoices	964	1,295
Liabilities for social security	537	560
Personnel adjustment measures	630	550
Purchase price liability for acquisitions of investments	0	500
Employer’s liability insurance, compensatory levy in lieu of employing severely disabled persons	184	183
Financial statements costs	136	139
Long-service awards	78	77
Travel cost liability for employees	31	77
Supervisory Board compensation	90	68
Individual warranty cases	204	0
Other	343	402
Total	**8,104**	**10,959**

Other non-current liabilities break down as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Long-service awards	468	468
Long-term Management Board remuneration	110	328
Archiving costs	34	34
Other	0	4
Total	**612**	**834**

The long-service awards total EUR 546 k. Of this figure, EUR 468 k is reported in non-current and EUR 78 k in current other liabilities. There are no written commitments to the employees for the long-service awards. These were recognized as liabilities on account of the payment method and the resulting indication of company practice.

17. Contract liabilities

Contract liabilities break down as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Deferred maintenance income and royalties	13,110	13,310
Payments on account received	784	1,862
Contract liabilities	**13,896**	**14,425**

The deferred maintenance fees and royalties involve pre-billed services for the 2021 period that will not be recorded as income until the following year. In the reporting period, an amount of EUR 14,425 k deferred in the prior year was collected as revenue.

18. Pension plans

Defined contribution plans

The Group offers all employees in Germany with an unterminated and permanent employment relationship the possibility to participate in an employer-funded pension scheme. CENIT voluntarily pays, with a right of revocation, a pre-defined fixed amount each month into a defined contribution pension insurance policy of an insurance firm. This resulted in expenses of EUR 211 k for CENIT in the reporting period (prior year: EUR 211 k).

Defined benefit plans

Companies in Switzerland must grant their employees minimum old-age pension payments, and the pension plan payments often exceed the statutory minimum payments. Although the future pension payments depend in principle on the contributions saved, including the interest on the retirement assets, there is a residual risk for a company that it will in future have to make further contributions to the pension plan for service periods already worked by the employee. This is on account of the guarantees contained in pension law. These guarantees relate among other things to the minimum interest on retirement assets in the statutory field, the balance of retirement assets and the (minimum) conversion rate. Together with the remedial duty in the event of a (potential) shortfall in the pension plan, these guarantees mean that LOB old-age pensions in Switzerland are classified as defined benefit plans in accordance with IAS 19 and are presented accordingly in the statement of financial position. Actuarial gains and losses are recognized in other comprehensive income taking into account deferred taxes.

In France, the statutory basic pension is supplemented by obligatory additional pensions which, like the basic pension, are financed using the cost sharing method. If an employee decides to enter retirement, he or she receives a pension payment from the employer. The amount is variable, but is based on the number of years of service and amounts to between one and six months' salary.

The total obligation recognized in the statement of financial position from the defined benefit plans relates only to employees still working and is as follows:

in EUR k	2020	2019
Present value of the defined benefit obligation	6,405	6,420
Fair value of plan assets	4,830	4,940
Benefit liability	**1,575**	**1,480**

The net liability developed as follows:

in EUR k	2020	2019
Net liability as of 1 January	1,480	1,504
Net income/expense recognized	269	310
Contributions by the employer	-148	-145
Actuarial gains	-28	-218
thereof from changes in estimates	-132	84
thereof from experience adjustments	-328	-395
thereof from return on plan assets	432	93
Net foreign exchange difference	2	29
Net liability as of 31 December	**1,575**	**1,480**

Changes in the present value of the defined benefit obligation are as follows:

in EUR k	2020	2019
Present value of defined benefit obligation as of 1 January	6,420	6,323
Current service cost	264	294
Interest expense	13	46
Contributions by plan participants	148	146
Actuarial gains/losses	-460	-311
thereof from changes in estimates	-132	84
thereof from experience adjustments	-328	-395
Benefits paid/reimbursed	-3	-291
Past service cost	0	0
Net foreign exchange difference	23	213
Present value of defined benefit obligation as of 31 December	**6,405**	**6,420**

The weighted average duration of the obligations is 9.02 years (prior year: 9.31 years).

The changes in fair value of the plan assets are as follows:

in EUR k	2020	2019
Fair value of plan assets as of 1 January	4,940	4,819
Expected return on plan assets	8	29
Actuarial gains/losses	-433	-93
thereof from return on plan assets	-433	-93
Contributions by the employer	148	146
Contributions by plan participants	148	146
Benefits paid	-3	-292
Net foreign exchange difference	22	185
Fair value of plan assets as of 31 December	**4,830**	**4,940**

All of the plan assets come from the insurance credit from the insurance contracts. Consequently, there are no special risks from plan assets. The total return expected on plan assets is calculated on the basis of past experience. This is reflected in the principal assumptions (see below). The actual losses on plan assets came to EUR 428 k in total (prior year: EUR 61 k).

in EUR k	2020	2019
Current service cost	264	294
Interest expense	13	46
Expected return on plan assets	-8	-29
Past service cost	0	0
Net benefit expense	**269**	**311**

The Group expects to contribute EUR 250 k in total to its defined benefit pension plans in the 2021 reporting period.

The principal assumptions used in determining the pension obligation of CENIT CH are shown below:

%	2020	2019
Discount rate	0.10	0.16
Expected return on plan assets	1.0	1.0
Anticipated rate of salary increase	1.0	1.0
Lump-sum payment	50	50
Probability of reaching retirement	20% each in the last 5 years before retirement	20% each in the last 5 years before retirement
Mortality	BVG 2015	BVG 2015

The following basic assumptions were made for the pension obligation of KEONYS FR.

%	2020	2019
Discount rate	0.35	0.77
Anticipated rate of salary increase	0.5	0.5
Average rate of employee turnover	9	9
Mortality	INSEE 2017	INSEE 2017

The authoritative actuarial assumptions used to calculate the defined benefit obligation are the discount rate and the rate of salary increase. The sensitivity analyses presented below were carried out on the basis of the changes in the respective assumptions as of the end of the reporting period that are reasonably possible, with the other assumptions remaining unchanged in each case.

In the case of the obligations of CENIT CH of EUR 5,337 k, if the discount rate were to go up by 0.5% or down by 0.5%, the obligation would decrease by 3.4% and increase by 3.8% respectively. If the rate of salary increase were to rise by 0.5% or drop by 0.5%, the obligation would increase by 0.2% or fall by 0.2% respectively.

In the case of the obligations of KEONYS FR of EUR 1,068 k, if the discount rate were to go up by 0.5% or down by 0.5%, the obligation would decrease by 5.0% and increase by 5.4% respectively. If the rate of salary increase were to rise by 0.5% or drop by 0.5%, the obligation would increase by 5.6% or fall by 5.2% respectively.

19. Financial risk management objectives and policies

The Group's principal financial instruments comprise trade receivables, receivables from joint ventures as well as cash and cash equivalents, overdrafts and trade payables. The main purpose of these financial instruments is to finance the Group's business activities.

There are no significant differences between the carrying amount and fair value of receivables and liabilities due to their short term.

The Group is exposed to credit, counterparty and liquidity risks as well as interest and exchange rate fluctuations in the course of its operations.

Credit or counterparty risk

The Group obtains credit ratings from external agencies before accepting a new customer in order to assess the creditworthiness of prospective customers and define their credit limits.

Credit ratings for major new customers are made by Creditreform e.V. For new and existing customers, the credit risk is reduced among other things by issuing invoices for downpayments. The payment behavior of existing customers is analyzed on a constant basis. In addition, the credit risk is controlled using limits for each contractual party, which are examined annually.

No credit rating is carried out for contracts won by our contractual partners, since this is already done at contractual partner level.

In addition, receivables balances are monitored by us on an ongoing basis, with the result that the Group's exposure to risk of default is not significant.

As we do not conclude any general netting agreements with our customers, the sum of the amounts reported under assets also represents the maximum credit risk. There are no identifiable concentrations of credit risk from business relationships with single debtors or groups of debtors. With respect to the other financial assets of the Group, such as cash, the Group's maximum exposure to credit risk arising from default of the counterparty is equal to the carrying amount of these instruments.

Apart from customary retention of title, the Group does not have any collateral or other credit enhancement measures that would reduce this default risk.

Currency risk

The currency risk exposure mainly arises where receivables or liabilities exist or will be generated in the ordinary course of business in a currency other than the local currency of the Company.

In addition, there are currency risks from domestic bank balances denominated in USD. The resulting risks amount to EUR 155 k (prior year: EUR 5 k) with a total volume of USD 1,903 k (prior year: USD 54 k) and a change of +/- 10%. The risk from cash on hand is considered immaterial on the whole.

There are no other risks from foreign currencies.

Interest rate risk

The Group is generally not exposed to any risk from changes in market interest rates because it has not borrowed any non-current financial liabilities with floating interest rates. Because the

Group does not use any non-current financial liabilities, it only sees an interest rate risk from investing cash and cash equivalents. This risk is not deemed material.

The CENIT Group's policy is to manage its interest income using a mix of fixed and floating-rate investments. The Group uses financial instruments where necessary to achieve this goal.

As of the end of both reporting periods, there were no derivative financial instruments for hedging against interest risks.

Liquidity risk

The Group needs sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Group under normal trading conditions. The Group manages liquidity risk by maintaining adequate reserves, credit lines from banks and by constantly monitoring forecast and actual cash flows and reconciling the maturity profiles of financial assets and liabilities. The credit rating of the Group allows sufficient cash to be procured. Moreover, the Group has lines of credit that have not yet been used.

Thanks to the large amount of cash and cash equivalents, there are currently no liquidity or refinancing risks at group level.

The financial liabilities all fall due within a maximum of one year.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a maximum equity ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group can adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies and processes as of 31 December 2020 and 31 December 2019.

The Group monitors its capital in relation to total assets.

in EUR k	31 Dec. 2020	31 Dec. 2019
Total assets	83,449	89,348
Equity	42,723	40,940
Equity as a percentage of total assets (%)	**51.2**	**45.8**

20. Financial instruments

The table below shows the carrying amounts and fair values of all of the Group's financial instruments included in the consolidated financial statements.

in EUR k	Classi-fication	Carrying amount 2020	Carrying amount 2019	Fair value 2020	Fair value 2019
Financial assets					
Non-current other financial assets	FVTPL	2,500	2,615	2,500	2,615
Cash and cash equivalents	AC	26,056	18,461	26,056	18,461
Receivables		17,768	25,216	17,768	25,216
thereof:					
• Trade receivables	AC	14,562	20,395	14,562	20,395
• Receivables from investments recognized at equity	AC	2,514	4,413	2,514	4,413
• Other receivables		692	408	692	408
Contract assets	AC	2.469	3,727	2.469	3,727
Current other financial assets	AC	6.609	7,574	6.609	7,574
		55,402	**57,593**	**55,402**	**57,593**

Financial liabilities					
• Trade payables	AC	3,270	5,964	3,270	5,964
• Liabilities to investments recognized at equity	AC	32	34	32	34
• Non-current and current lease liabilities	AC	11,990	14,129	11,990	14,129
• **Other liabilities**					
• Outstanding purchase invoices	AC	964	1,295	964	1,295
• Purchase price liabilities	AC	0	500	0	500
Contract liabilities	AC	13,896	14,425	13,896	14,425
		30,152	**36,347**	**30,152**	**36,347**

The fair value of the financial assets and financial liabilities corresponds to their carrying amount at amortized cost because they are current assets and liabilities only. The fair value of non-current financial assets measured at fair value results from the observable prices on the market.

G Statement of cash flows

The statement of cash flows shows how the cash and cash equivalents of the CENIT Group changed during the course of the reporting period and the prior year as a result of cash inflows and outflows. Cash flows were broken down into cash flow from operating, investing and financing activities in accordance with IAS 7. The amounts reported from foreign entities are generally translated at the annual average rates. However, as in the statement of financial position, liquidity is reported at the closing rate. The effects of exchange rate changes on cash are shown separately if they are material.

The cash flow from investing activities and financing activities is determined directly on the basis of payments made or received. The cash flow from operating activities, on the other hand, is derived indirectly from the Group’s net income or loss for the year. When performing the indirect calculation, changes in items in the statement of financial position considered in connection with operating activities are adjusted for effects from currency translation and changes in the basis of consolidation. There are therefore differences compared to changes in the relevant items in the consolidated statement of financial position.

Investments in property, plant and equipment and intangible fixed assets and financial assets are included in the cash outflow from investing activities.

Only assets that can be readily converted into cash without significant deductions and that are subject to minor fluctuations in value are included in cash and cash equivalents.

Cash and cash equivalents include all cash and cash equivalents reported in the statement of financial position (F10) provided they have an original maturity of less than three months, as well as overdrafts repayable on demand.

Reconciliation of the movements in liabilities to cash flows from financing activities

in EUR k	Lease liability
Statement of financial position as of 1 January 2020	**14,129**
Change in cash flows from financing activities	
Cash paid for lease liabilities	-3,508
Overall change in cash flows from financing activities	**-3,508**
Other cash changes	
Increase in obligation from new leases	1,242
Interest expense	127
Total non-cash other changes	**1,369**
Statement of financial position as of 31 December 2020	**11,990**

H Segment reporting

Pursuant to IFRS 8, business segments must be demarcated based on the internal reporting from group divisions that are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

For management purposes, the Group is organized into business units based on its products and services, and has two reportable operating segments as follows:

- EIM (Enterprise Information Management)
- PLM (Product Lifecycle Management)

The presentation is based on internal reporting.

The PLM (Product Lifecycle Management) segment focuses on industrial customers and the corresponding technologies. Its industry focus is on the automotive, aerospace, mechanical engineering and shipbuilding industries. Special emphasis is placed on products and services in product lifecycle management, such as CATIA from Dassault Systèmes or SAP, and internally developed software such as cenitCONNECT and FASTSUITE. The Enterprise Information Management (EIM) segment focuses on the customer segment of trade and commerce, banks, insurance firms and utilities. The focus here is on products of the strategic software partner IBM and internally developed software and consultancy services in the fields of document management and business intelligence.

SEGMENT REPORTING					
in EUR k		EIM	PLM	Reconciliation	Group
External revenue	2020	13,689	133,551	0	147,240
	2019	16,035	155,676	0	171,711
EBIT	2020	1,651	1,980	0	3,631
	2019	2,087	7,108	0	9,195
Other interest result and financial result	2020	0	0	-202	-202
	2019	0	0	-297	-297
Income taxes	2020	0	0	1,137	1,137
	2019	0	0	1,936	1,936
Net income of the Group for the year	2020	1,651	1,980	-1,339	2,292
	2019	2,089	7,106	-2,233	6,962
Segment assets	2020	3,660	50,513	29,276	83,449
	2019	5,792	62,357	21,199	89,348
Segment liabilities*	2020	4,465	35,084	1,177	40,726
	2019	5,077	42,880	451	48,408
Investments in property, plant and equipment and intangible assets	2020	190	1,852	0	2,042
	2019	246	2,262	0	2,508
Amortization and depreciation	2020	571	5,392	0	5,963
	2019	699	5,344	0	6,043
EIM = Enterprise Information Management; PLM = Product Lifecycle Management					

*The prior-year figure was adjusted to take into account the current leases liabilities of EUR 3,102 k in the calculation of the segment liabilities.

In the segmentation by business unit and by region, those financial assets and tax reimbursement rights as well as current and deferred income tax liabilities and other liabilities are disclosed in the "Reconciliation" column for segment assets and segment liabilities respectively that could not be attributed to the respective business units.

The segmentation by region is based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of the respective group company of the individual segment.

The reconciliation of segment assets breaks down as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Deferred tax assets	1,275	1,224
Current tax receivables	1,945	1,514
Cash and cash equivalents	26,056	18,461
Total	**29,276**	**21,199**

The reconciliation of segment liabilities breaks down as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Deferred tax liabilities	23	142
Current income tax liabilities	1,154	309
Total	**1,177**	**451**

The segmentation by region is shown below:

in EUR k		Germany	Switzerland	North America	Romania	France	Belgium	Netherlands	Japan	China	Reconciliation	Consolidation	Group
External revenue	2020	81,855	10,395	6,646	2,012	38,422	4,026	2,405	1,439	40	0	0	147,240
	2019	91,388	11,575	10,911	2,760	46,612	4,463	2,704	1,298	0	0	0	171,711
Non-current segment assets	2020	22,397	155	198	258	6,849	59	301	242	30	1,275	-3,174	28,590
	2019	24,653	216	351	230	8,435	160	99	87	0	1,224	-2,857	32,598

The reconciliation of non-current segment assets breaks down as follows:

in EUR k	31 Dec. 2020	31 Dec. 2019
Deferred tax assets	1,275	1,224

I Other notes

1. Leases

CENIT leases office space and vehicles. The term of the leases is typically three years for vehicles and generally ten years for office space, with the option of extending the leases after this period. Some leases provide for additional lease payments based on changes in local price indices. In the past, these leases were classified as operating leases in accordance with IAS 17. CENIT has not sublet any property. The weighted average interest rate is 0.87% for property and 4.03% for vehicles.

In addition, CENIT leases some IT equipment with contractual terms of between one and three years. These leases are either short term or (/and) they are for low-value assets. The Group has decided not to recognize right-of-use assets or lease liabilities for those leases. Information on leases where the Group is a lessee is provided below.

The Group had expenses from short-term leases of EUR 115 k in the reporting period (prior year: EUR 401 k) and expenses from leases of low-value assets of EUR 30 k (prior year: EUR 30 k).

in EUR k	Buildings	Vehicles	Total
As of 1 January 2020	12,628	1,428	14,056
Depreciation amount in the reporting year	2,379	1,030	3,409
Additions to right-of-use assets	150	1,092	1,242
Exchange rate effects	-10	-1	-11
As of 31 December 2020	**10,389**	**1,489**	**11,878**

The right-of-use assets from leases are reported in property, plant and equipment under land and buildings (building) and furniture and fixtures (vehicles).

2. Related party disclosures

Balances and transactions between CENIT and its subsidiaries that are related parties were eliminated as part of consolidation and are not explained in the notes.

Related parties of the CENIT Group within the meaning of IAS 24 thus only concern the members of the Management Board and Supervisory Board, their dependents and joint ventures.

No transactions with related parties were conducted in the reporting period or the prior year. Otherwise, CENIT recorded sales with joint ventures amounting to EUR 7,517 k (prior year: EUR 11,062 k).

As of the end of the reporting period, there were no liabilities to related parties (prior year: EUR 0 k). The receivables from and liabilities to investments recognized at equity are reported separately in the statement of financial position.

The Company's Management Board members were:

- Dipl.-Ing. Kurt Bengel, Waiblingen, spokesman of the Management Board of CENIT AG. Responsible for: operations, investor relations and marketing.
- Dipl.-Wirt.-Inf. Matthias Schmidt, Bad Liebenzell, member of the Management Board of CENIT AG until 31 December 2020. Responsible for: finance, organization and personnel.
- Dr. rer. pol. Dipl.-Kfm. Markus A. Wesel, Hohenschäftlarn, member of the Management Board of CENIT AG since 1 July 2020. Responsible since 1 January 2021 for: finance, organization and personnel.

The Company's Supervisory Board members were:

- Prof. Dr. Oliver Riedel (university professor), Pfaffenhofen a.d. Ilm, chairman since 18 May 2018
- Dipl.-Kfm. Stephan Gier (independent German public auditor, tax advisor), Stuttgart, deputy chairman since 18 May 2018
- Dipl.-Ing. Ricardo Malta (Service Manager CENIT Aktiengesellschaft, Stuttgart), Munich, employee representative since 18 May 2018

The remuneration system for the Management Board of CENIT AG comprises a performance-based component and a component that is independent of performance. The performance-based part is based on the Group's earnings for the year (EBIT) in accordance with IFRS. Pursuant to the articles of incorporation and bylaws, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives a fixed amount of EUR 20,000 payable after the end of the reporting period. The chairperson of the Supervisory Board receives twice that amount, while the deputy chairperson receives one and a half times that amount.

The expense for the remuneration of the members of the Management Board and Supervisory Board active as of 31 December 2020 recognized in profit or loss breaks down as follows:

in EUR k	2020	2019
Management Board remuneration		
Fixed	615	507
Fringe benefits	54	47
Performance-based	130	272
Total short-term benefits*	799	826
* Long-term incentive	110	278
Total long-term benefits*	110	278
Total remuneration of the Management Board	**909**	**1,104**
Supervisory Board compensation	90	68
Total compensation of the Supervisory Board	**90**	**68**
Total	**999**	**1,172**

*The prior-year figures were adjusted due to moving long-term benefits of EUR 52 k to short-term benefits.

Disclosures on the remuneration of the Management Board and the Supervisory Board of CENIT AG are presented individually in the remuneration report, which is part of the combined management report.

Total remuneration of the Management Board in accordance with Sec. 314 (1) No. 6a HGB amounts to EUR 1,077 k in the reporting period (prior year: EUR 826 k). Of this figure, EUR 669 k (prior year: EUR 554 k) relates to fixed components while EUR 408 k (prior year: EUR 272 k) relates to performance-based components.

The D&O insurance was continued in 2020 for Management Board members and Supervisory Board members as well as other executives. The premiums of EUR 40 k (prior year: EUR 40 k) were borne by the Company.

The Management Board held 7,300 shares as of the end of the reporting period (0.09%). The Supervisory Board members held 180 shares.

3. Notifications pursuant to Sec. 21, 22, 25 WpHG

During the 2011 reporting period, several notices pursuant to Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] were received from LBBW Asset Management Investmentgesellschaft mbH. The last notice was dated 15 November 2011 and was as follows: Pursuant to Sec. 21 (1) WpHG, we inform you that the share of voting rights of LBBW Asset Management Investmentgesellschaft mbH in CENIT AG, Industriestraße, 70565 Stuttgart, Germany, across all of our investment funds fell below the threshold of 5% on 11 November 2011 and, at 385,421 shares, amounted to 4.61% on that date in relation to the total amount of voting rights (8,367,758). Of these voting rights, 3.67% (307,421 voting rights) are attributed to us pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG. Voting rights are allocated to us by the following shareholders, whose voting rights in CENIT AG amount to 3% or more: Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte.

In a letter dated 29 October 2015, MainFirst SICAV, Senningerberg, Luxembourg, announced that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5%: MainFirst SICAV, Senningerberg, Luxembourg, informed us on 29 October 2015 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5% of voting rights on 28 October 2015 and amounted to 5.05% on that date (corresponding to 422,792 voting rights).

During the 2020 reporting period, several notices pursuant to Sec. 40 (1) WpHG were received from LOYS Investment S.A., with the last notice dated 17 September 2020 and reading as follows: LOYS Investment S.A., Munsbach, Luxembourg, informed us pursuant to Sec. 40 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 10% of voting rights on 10 September 2020 and amounted to 5.07% on that date (corresponding to 424,065 voting rights). 1.57% thereof (corresponding to 131,336 voting rights) are attributed to LOYS Sicav, Munsbach, Luxembourg.

During the 2020 reporting period, several notices pursuant to Sec. 40 (1) WpHG were received from PRIMEPULSE SE. The last notice was dated 4 November 2020 and was as follows: PRIMEPULSE SE, Munich, Germany, informed us pursuant to Sec. 40 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 15% on 3 November 2020 and amounted to 15.01% on that date (corresponding to 1,256,388 voting rights).

During the 2020 reporting period, several notices pursuant to Sec. 40 (1) WpHG were received from Allianz Global Investors GmbH. The last notice was dated 25 November 2020 and was as follows: Allianz Global Investors GmbH, Frankfurt am Main, Germany, informed us pursuant to Sec. 40 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 3% of voting rights on 24 November 2020 and amounted to 2.97% on that date (corresponding to 248,286 voting rights).

4. Group auditor’s fees

in EUR k	2020	2019
Audit fees (annual financial statements and consolidated financial statements)	177	94
thereof relating to other periods: EUR 60 k (prior year: EUR 0 k)		
Fees for other services	0	0
Total	**177**	**94**

5. Events after the reporting period

There were no reportable subsequent events.

6. Declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code

The Management Board and Supervisory Board of the Company have issued the declaration for 2020 required by Sec. 161 AktG and made it available on the Company's homepage (http://www.cenit.com/en_EN/investor-relations/corporate-governance.html).

Stuttgart, 26 March 2021

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel
Spokesman, Management Board

Dr. Markus Wesel
Member, Management Board

Independent auditor’s report

To CENIT Aktiengesellschaft, Stuttgart

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2020 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the report on the position of the Company and the Group (referred to subsequently as the “group management report”) of CENIT Aktiengesellschaft for the fiscal year from 1 January to 31 December 2020.

In accordance with the German legal requirements, we have not audited the content of the components of the group management report listed in the section on “Other information” in our auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the components of the group management report listed in the section on “Other information”.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as the “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Timing of revenue recognition

For the recognition and measurement policies used, we refer to section D of the notes to the financial statements. The disclosures on revenue are included in E.1 of the notes to the financial statements.

RISK FOR THE FINANCIAL STATEMENTS

The consolidated financial statements for the fiscal year 2020 of CENIT Aktiengesellschaft report revenue of EUR 147.2 million. The CENIT Group primarily generates revenue from the licensing of software, software updates, the provision of IT services as well as the provision of consulting services for the planning, implementation and optimization of business and IT processes.

The CENIT Group recognizes revenue once control of the products sold has been transferred to the customer or the service has been provided. Revenue from the licensing of software is generally recognized at a point in time as soon as the customer has obtained control of the software; in cases where the license granted gives the customer to right to access the most recently available software version during the contractual term, revenue from the licensing is recognized over time. Revenue from software updates is recognized over time, over the agreed contractual term. Revenue from services is generally recognized over time in accordance with the hours worked or for agreed-upon lump sums. In the case of multiple element agreements, the realization criteria are applied separately for each component.

Due to the large number of product types, the importance of multiple element agreements and the resulting revenue recognition, there is a risk for the consolidated financial statements that contractual performance is identified or classified incorrectly and that revenue is not recognized in the correct period as of the end of the reporting period.

AUDIT APPROACH

To determine whether revenue recognition has taken place in the correct period, we assessed the design, implementation and effectiveness of the internal controls in terms of identification and classification of the contractual performance and revenue realization for that performance; this includes checking performance and acceptance of performance and the billing as well as the underlying revenue recognition.

We also assessed whether revenue was recognized in the correct period in the area of licensing of software as well as for contracts for work by comparing the invoices with the corresponding orders, contracts and acceptance records. This was based on revenue recognized in December 2020 that was selected using an actuarial method. Using the credit notes issued in January and February 2021, we also verified whether these indicate that revenue has been recognized incorrectly.

In addition, for the trade receivables not yet settled as of the end of the reporting period, we obtained balance confirmations selected using an actuarial method. For outstanding replies from the balance confirmation work, we carried out alternative audit procedures by reconciling revenue among other things with the underlying orders, contracts, invoices, delivery notes and acceptance records and/or proof of hours as well as the payments received.

OUR FINDINGS

The procedure at the CENIT Group for identifying and classifying contractual performance as well as the matching of revenue to the correct period derived from that procedure is correct.

Other information

The executive directors and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the group management report, the content of which has not been audited:

– the separate combined non-financial statement of the Company and the Group referred to in the group management report, which is expected to be provided to us after the date of this auditor’s report, and

– the combined corporate governance statement of the Company and the Group referred to in the group management report.

The other information also comprises the other parts of the annual report expected to be provided to us after this date.

The other information does not comprise the consolidated financial statements, the group management report disclosures with audited content or our corresponding auditor’s report.

Our opinions on the consolidated financial statements and on the group management report do not cover other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, the group management report disclosures with audited content or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibility for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group

management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance report in accordance with Sec. 317 (3b) HGB of the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

We have performed an assurance engagement in accordance with Sec. 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection "240321cenit_187942.zip" (SHA256-hash value: f198abda2e731e44c6bad ff8bdba79917e40ec0a666533630a9343cf6665254a) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file that can be downloaded by the issuer from the electronic client portal with access protection and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

We conducted our assessment of the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned file that can be downloaded by the issuer from the electronic client portal with access protection in accordance with Sec. 317 (3b) HGB and the Exposure Draft on the IDW Assurance Standard: Assurance in accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Art. 10 of the EU audit regulation

We were elected as group auditor by the Annual General Meeting of Shareholders on 2 July 2020. We were engaged by the Supervisory Board on 23 November 2020. We have been the group auditor of CENIT Aktiengesellschaft since the fiscal year 2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jack Cheung.

Stuttgart, 26 March 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Cheung	Rupperti
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement in the Annual Financial Report

(Group Financial Report)

After considering comments received, the German Accounting Standards Board (GASB) agreed at its 114th meeting on the following wording of the responsibility statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 2 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the Group financial statements:

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.”

The Management Board

Kurt Bengel
Spokesman, Management Board

Dr. Markus Wesel
Member, Management Board

FINANCIAL STATEMENT AG

CENIT Aktiengesellschaft, Stuttgart
BALANCE SHEET

		31 Dec. 2020	31 Dec. 2019
ASSETS	EUR	EUR	EUR
A. FIXED ASSETS			
I. Intangible assets			
Franchises, industrial and similar rights and assets and licenses in such rights and assets		**913,183.14**	**1,179,901.79**
II. Property, plant and equipment			
1. Land and buildings, including buildings on third-party land	458,626.88		521,112.66
2. Plant and machinery	629,941.51		891,097.89
3. Other equipment, furniture and fixtures	22,940.86		34,145.90
		1,111,509.25	**1,446,356.45**
III. Financial assets			
1. Shares in affiliates	9,105,646.38		8,710,989.38
2. Equity investments	2,552,554.25		2,552,554.25
3. Prepayments on financial assets	0.00		115,000.00
4. Loans to affiliates	2,330,000.00		3,330,000.00
		13,988,200.63	**14,708,543.63**
B. CURRENT ASSETS			
I. Inventories			
1. Work in process	522,673.20		471,313.05
2. Merchandise	0.00		234,770.00
3. Payments on account	12,723.79		23,985.51
		535,396.99	**730,068.56**
II. Receivables and other assets			
1. Trade receivables	6,507,037.02		10,299,292.35
2. Receivables from affiliates	1,419,911.29		1,744,619.43
3. Receivables from other investees and investors	2,492,782.38		4,368,445.12
4. Other assets	600,051.83		581,800.65
		11,019,782.52	**16,994,157.55**
III. Cash on hand, bank balances		**16,202,034.92**	**7,379,210.11**
C. PREPAID EXPENSES			
		2,395,396.96	**2,307,576.82**
		46,165,504.41	**44,745,814.91**

CENIT Aktiengesellschaft, Stuttgart
BALANCE SHEET

			31 Dec. 2020	31 Dec. 2019
EQUITY AND LIABILITIES		EUR	EUR	EUR
A.	**EQUITY**			
I.	**Subscribed capital**		8,367,758.00	8,367,758.00
II.	**Capital reserves**		1,058,017.90	1,058,017.90
III.	**Revenue reserves**			
	1. Legal reserve		418,387.90	418,387.90
	2. Other revenue reserves		13,870,955.48	13,870,955.48
IV.	**Net retained profit**		11,064,913.60	7,853,528.47
			34,780,032.88	**31,568,647.75**
B.	**PROVISIONS**			
	1. Tax provisions	897,032.19		0.00
	2. Other provisions	3,010,640.53		4,112,591.04
			3,907,672.72	**4,112,591.04**
C.	**LIABILITIES**			
	1. Payments received on account of orders	807,746.57		776,160.94
	2. Trade payables	635,006.15		1,511,154.04
	3. Liabilities to affiliates	445,986.72		118,855.37
	4. Liabilities to other investees and investors	32,048,21		33,520.88
	5. Other liabilities	583,495.69		1,695,985.75
	thereof for social security: EUR 0.00 (prior year: EUR 0 k)			
	thereof for taxes: EUR 492,432.83 (prior year: EUR 1,070 k)			
			2,504,283.34	**4,135,676.98**
D.	**DEFERRED INCOME**			
			4,973,515.47	**4,928,899.14**
			46,165,504.41	**44,745,814.91**

CENIT Aktiengesellschaft, Stuttgart
INCOME STATEMENT

			2020	2019
		EUR	EUR	EUR
1.	**Revenue**	85,618,870.21		94,098,760.74
2.	Increase in inventories of work in process	51,360.15		24,785.98
3.	Other operating income	372,545.10		845,446.31
	thereof income from currency translation: EUR 107,391.20 (prior year: EUR 107 k)			
	Total operating performance		**86,042,775.46**	**94,968,993.03**
4.	Cost of materials			
a.	Cost of raw materials, consumables and supplies and of purchased merchandise	32,560,434.15		34,018,317.39
b.	Cost of purchased services	5,305,364.40		7,163,235.79
			37,865,798.55	41,181,553.18
5.	Personnel expenses			
a.	Salaries	29,791,210.01		32,300,965.71
b.	Social security and pension costs	5,286,737.09		5,611,668.12
			35,077,947.10	37,912,633.83
6.	Amortization of intangible assets and depreciation of property, plant and equipment	1,272,478.58		1,334,690.56
7.	Other operating expenses	9,171,205.71		10,467,392.18
	thereof from currency translation: EUR 332,640.94 (prior year: EUR 99 k)			
	Operating result		**2,655,345.52**	**4,072,723.28**
8.	Income from equity investments		1,398,285.89	2,472,342.34
	thereof from affiliates: EUR 1,398,285.89 (prior year: EUR 2,472 k)			
9.	Other interest and similar income		119,457.46	154,872.80
	thereof from affiliates: EUR 119,430.00 (prior year: EUR 155 k)			
10.	Write-downs of financial assets		0.00	297,671.16
11.	Interest and similar expenses		34,504.65	17,356.18
	thereof from unwinding of the discount on provisions: EUR 10,005.00 (prior year: EUR 9 k)			
12.	Income taxes		873,002.12	1,271,453.20
13.	**Earnings after taxes**		**3,265,582.10**	**5,113,457.88**
14.	Other taxes		54,196.97	62,384.49
15.	**Net income for the year**		**3,211,385.13**	**5,051,073.39**

Notes to the financial statements for 2020

A General

CENIT AG has its registered offices in Stuttgart and is entered in the commercial register at Stuttgart local court (HRB 19117). It is a large listed corporation within the meaning of Sec. 267 (3) HGB [“Handelsgesetzbuch”: German Commercial Code] in conjunction with Sec. 264d HGB.

These financial statements have been prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB as well as in accordance with the relevant provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act]. The Company is subject to the requirements for large corporations. The standards of Deutsches Rechnungslegungs Standards Committee e.V., Berlin, (DRSC) (the Accounting Standards Committee of Germany (ASCG)) have been observed to the extent that they are relevant for the annual financial statements of the Company.

The income statement is classified using the nature of expense method.

For the sake of clarity, some of the “thereof” notes to be disclosed either in the balance sheet and income statement or in the notes are included in the notes.

B Accounting principles

The following accounting and valuation methods, which remained unchanged in comparison to the prior year, have been used to prepare the financial statements.

Acquired **intangible assets** are recognized at acquisition cost and are amortized over their useful lives using the straight-line method if they have a limited life. The depreciation tables published by the German Ministry of Finance serve as a guide here. The useful life is generally three years. Additions are amortized pro rata temporis.

Property, plant and equipment are recognized at acquisition cost and are depreciated if they have a limited life. Depreciation is recorded over the customary useful life using the straight-line method. The depreciation tables published by the German Ministry of Finance serve as a guide here. The useful life of property, plant and equipment is three to ten years. Additions are depreciated pro rata temporis.

Low-value assets with an individual net value not exceeding EUR 150 were fully expensed in the year of acquisition. Assets with an individual net value not exceeding EUR 800 in value are fully expensed in the year of acquisition with their immediate disposal being assumed.

Financial assets are recognized at acquisition cost. Write-downs to their lower attributable value are recognized only if impairment is expected to be permanent.

Work in process is valued at production cost or, in the case of third-party work, at acquisition cost. Own work comprises direct labor and appropriate, proportionate overheads for personnel, write-downs and rent as well as general and administrative expenses. If the market value is lower as of the balance sheet date, work in process is recognized at that value.

Merchandise is measured at acquisition cost. Where necessary, write-downs to the lower net realizable value are recognized.

Receivables and other assets are stated at their nominal value. All recognizable specific risks are taken into account with specific bad debt allowances. A general bad debt allowance of 1% (prior year: 1%) was established for the general credit risk.

Cash on hand and **bank balances** are each stated at nominal value.

Expenses paid before the balance sheet date that represent an expense for a certain period after that date are accrued as **prepaid expenses** on the assets side of the balance sheet. Income received before the balance sheet date that represents income for a certain period after that date is reported as **deferred income** on the liabilities side of the balance sheet.

Provisions account for all foreseeable risks and contingent liabilities and are recognized at the settlement value deemed necessary according to prudent business judgment. Expected future price and cost increases are included in valuing the provisions. Provisions with a residual term of more than one year were discounted at the average market interest rate of the last seven fiscal years published by the German Central Bank for their respective residual term. The discounting expense is disclosed in the financial result, while effects from the change in the interest rate or the change in the term are presented in the operating result. Provisions for potential losses from pending transactions ('loss provisions') comprise future losses not yet realized. There is a risk of a loss from pending transactions if income and expenses from the same transaction, not yet completed, do not balance out, but lead instead to a net obligation. No provision was recognized for this in the fiscal year (prior year: EUR 31 k).

Liabilities are recorded at the settlement value.

To determine **deferred taxes** arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts, the resulting tax burden and relief are valued using the company-specific tax rate at the time the differences reverse; these amounts are not discounted. The option not to recognize deferred tax assets was exercised.

Foreign currency assets and liabilities were translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

CENIT generates **revenue** from the licensing of software (proprietary software and third-party software), software updates (for proprietary software and third-party software), the provision of IT services as well as the provision of consulting services for the planning, implementation and optimization of business and IT processes. Revenue is also generated from the sale of goods.

At CENIT, the different products are categorized according to the following contract types:

- Royalties – these encompass the revenue from software and software updates
- Fixed-price projects
- Sale of goods and services – this encompasses revenue from service and consulting projects that also include hardware sales
- Merchandise

Software licenses

Royalties from granting temporary licenses – to the extent that the software grants a right to use the intellectual property as of the date of granting the license – and income from the sale of permanent licenses are recognized when the software has been provided to the customer (revenue recognition at a point in time).

Royalties from software as a service are recognized pro rata over the term of rendering the service. Royalties from software as a service are generally charged annually or quarterly in advance. The advance payments received for future services are recognized as deferred income.

Software updates

This includes revenue from contracts that grant the customer access to software updates. These updates mainly involve error resolution, improved performance or adjustments to changed framework conditions.

Royalties from software updates are recognized pro rata over the term of rendering the service. Royalties from software updates are generally charged annually or quarterly in advance. The advance payments received for future services are recognized as deferred income.

Services (consulting & service)

Revenue from services charged on an hourly basis relates to consulting services, training, application and user support. For these services, revenue recognition generally takes place monthly based on hours worked.

If there are multiple element arrangements that comprise the sale of software licenses and services, these are examined to determine if one or several performance obligations exist. If several performance obligations are identified, the transaction price is allocated in proportion to the relative stand-alone selling prices. CENIT bases its derivation of relative stand-alone selling prices on comparable industry transactions. Revenue recognition for the separate performance obligations can take place at a point in time or over time, depending on when the customer has control of the service. In general, performance obligations that involve the sale of software meet the prerequisites for revenue recognition at a point in time. Such contracts mainly relate to orders where CENIT offers integrated consulting, software and after-sales services to the customer as an end-to-end provider.

Fixed-price projects / contracts for work

Income from contracts for which a fixed price was agreed (generally contracts for work in connection with software programming or implementation) and that have the characteristics of a contract for work is recognized upon customer acceptance and thus when risk has transferred.

Merchandise

Revenue from **merchandise** relates chiefly to the sale of end devices. Sales of merchandise are recognized when the performance obligation has been met through delivery to the purchaser.

C Notes to the balance sheet and income statement

I. Balance sheet

1. Fixed assets

The development of fixed asset items is presented separately in the statement of changes in fixed assets (see pages 133 and 134).

2. Financial assets

The information on shareholdings breaks down as follows:

No.	Name and location of registered offices	Currency	Shareholding in %	Subscribed capital EUR k	Equity EUR k	Earnings EUR k
1	CENIT (Schweiz) AG Effretikon, Switzerland	CHF	100.0	313	1,656	555
2	CENIT North America Inc. Auburn Hills, USA	USD	100.0	28	1,117	-144
3	CENIT SRL Iasi, Romania	RON	100.0	105	468	211
4	CENIT France SARL Toulouse, France	EUR	100.0	10	249	47
5	CENIT Japan K.K. Tokyo, Japan	YEN	100.0	298	-22	18
6	KEONYS SAS Suresnes, France	EUR	100.0	155	1,576	307
6a	KEONYS Belgique SPRL Waterloo, Belgium	EUR	100.0	19	1,345	119
6b	KEONYS NL BV Houten, Netherlands	EUR	100.0	18	93	173
7	CENIT Software Technology (Suzhou) Co., Ltd. Suzhou, China	CNY	100.0	462	426	-36
8	Coristo GmbH Mannheim, Germany	EUR	51.0	25	1,359	133
9	CenProCS AIRliance GmbH Stuttgart, Germany	EUR	33.3	150	171	-1

The prepayment on financial assets reported in the prior year was an advance purchase price payment for the acquisition of the remaining 45% of the capital shares in SynOpt GmbH. The acquisition of the shares was completed on 1 January 2020. By merger agreement dated 5 May 2020, SynOpt GmbH was merged into CENIT AG with retroactive accounting effect as of 1 January 2020. The entry in the commercial register was made on 23 July 2020.

The loans to affiliates contain loans to KEONYS SAS of EUR 2,000 k (prior year: EUR 3,000 k) and to KEONYS B.V. of EUR 330 k (prior year: EUR 330 k).

3. Receivables and other assets

Trade receivables are all due in less than one year.

Receivables from affiliates include receivables from granting a loan with a residual term of one year to CENIT France SARL amounting to EUR 400 k (prior year: EUR 500 k). The remaining receivables from affiliates of EUR 1,020 k (prior year: EUR 1,245 k) and the **receivables from other investees and investors** valued at EUR 2,493 k (prior year: EUR 4,368 k) stem from trade and are due in less than one year.

Other assets consist of EUR 241 k relating to tax refund claims from VAT (prior year: EUR 0 k), EUR 10 k relating to tax refund claims from corporate income tax, solidarity surcharge and trade tax (prior year: EUR 446 k), EUR 288 k relating to receivables in connection with short-time work (prior year: EUR 0 k), EUR 6 k relating to receivables from staff (prior year: EUR 36 k) and EUR 15 k relating to receivables from deposits (prior year: EUR 18 k). No repayment claims were recognized in the fiscal year (prior year: EUR 73 k). As in the prior year, other assets are due in less than one year.

4. Prepaid expenses

in EUR k	31 Dec. 2020	31 Dec. 2019
Accrued rights of use for licenses and software maintenance	1,988	1,869
Other prepaid expenses	407	439
Total	**2,395**	**2,308**

This mainly concerns prepaid expenses for royalties and maintenance fees as well as for rights of use and insurance.

5. Deferred taxes

Deferred taxes stem chiefly from accounting and valuation differences between the statutory accounts and the tax accounts. These differences relate mostly to other provisions.

On the whole there are net deferred tax assets, and the option not to capitalize these deferred tax assets was exercised.

Deferred tax assets must be calculated based on a tax rate of 31% (prior year: 31%).

6. Equity

Capital stock

As per the most recent entry in the commercial register on 14 August 2006, the capital stock of the Company amounts to EUR 8,367,758.00 and has been fully paid in. It is divided into 8,367,758 no-par value shares of EUR 1.00 each. The shares are made out to the bearer and are all no-par value common shares.

7. Capital reserves

The capital reserves remained unchanged in the fiscal year, at EUR 1,058 k.

8. Legal reserve

At EUR 418 k, the legal reserve has also remained unchanged in comparison to the prior year.

9. Other revenue reserves

Other revenue reserves of EUR 13,871 k did not change since the prior year.

10. Net retained profit

Net retained profit developed as follows:

in EUR k	2020	2019
Net income for the year	**3,211**	**5,051**
Net retained earnings in the prior year	7,853	7,823
Dividend	0	-5,021
Profit carryforward from the prior year	**7,853**	**2,802**
Net retained profit	**11,065**	**7,853**

11. Provisions

Other provisions essentially comprise provisions for outstanding supplier invoices of EUR 550 k (prior year: EUR 695 k) and for personnel expenses of EUR 2,096 k (prior year: EUR 2,951 k).

12. Liabilities

As in the prior year, **trade payables** have a remaining term of less than one year.

Liabilities to affiliates include trade payables of EUR 138 k (prior year: EUR 118 k) as well as an outstanding capital contribution at CENIT Software Technology (Suzhou) Co., Ltd. amounting to EUR 308 k. As in the prior year, trade payables to affiliates are due in less than one year – with the exception of the outstanding capital contribution. The outstanding capital contribution must be made within the first ten years of founding the company and is thus due for payment no later than 2030.

The **liabilities to other investees and investors** contain trade payables amounting to EUR 32 k (prior year: EUR 34 k). As in the prior year, the corresponding liabilities are due within one year.

Other liabilities include deferred items of EUR 25 k (prior year: EUR 57 k). As in the prior year, these amounts related in full to deferred rent.

EUR 583 k (prior year: EUR 1,813 k) of other liabilities is due within one year, while EUR 0 k (prior year: EUR 25 k) is due in more than one year. In the prior year, liabilities due in more than one year did not include any liabilities due in more than five years.

Of the liabilities disclosed, there are no amounts (prior year: EUR 0 k) secured by liens or similar rights.

II. Income statement

1. Revenue

in EUR k	2020	2019
Third-party software	41,938	43,697
CENIT consulting and service	29,301	35,957
CENIT software	13,825	13,918
Merchandise	310	239
Other revenue	245	288
Total	**85,619**	**94,099**

87% (prior year: 87%) of sales was generated in Germany, 6% (prior year: 6%) in other EU countries and 7% (prior year: 7%) in other countries.

2. Other operating income

Other operating income includes income relating to other periods from the reversal of provisions of EUR 74 k (prior year: EUR 578 k). The prior-year figure was chiefly attributable to the reversal of the warranty provisions (EUR 470 k).

In addition, other operating income includes income from cross-charged salary and other costs of EUR 58 k (prior year: EUR 40 k), insurance refunds of EUR 21 k (prior year: EUR 15 k), rental income from subletting of EUR 9 k (prior year: EUR 9 k), marketing and sales subsidies from partner companies of EUR 86 k (prior year: EUR 81 k) and exchange gains of EUR 53 k (prior year: EUR 107 k). Of the exchange gains, EUR 53 k (prior year: EUR 107 k) has already been realized.

3. Personnel expenses

in EUR k	2020	2019
Salaries	29,791	32,301
Social security, pension and other benefit costs	5,287	5,612
Total	**35,078**	**37,913**

Social security contributions include pension costs of EUR 223 k (prior year: EUR 218 k).

Personnel expenses do not include any expenses relating to other periods (prior year: EUR 420 k). The prior-year figures in 2019 stem from bonus payments for the fiscal year 2018.

Short-time work was used in the fiscal year to compensate for personnel expenses of EUR 1,432 k.

4. Other operating expenses

At EUR 9,171 k, total other operating expenses are down compared to the prior year (EUR 10,467 k). Other operating expenses essentially relate to premises expenses of EUR 2,081 k (prior year: EUR 2,126 k), vehicle costs of EUR 1,613 k (prior year: EUR 1,773 k), travel expenses of EUR 417 k (prior year: EUR 1,182 k), marketing costs of EUR 449 k (prior year: EUR 714 k) and exchange losses of EUR 333 k (prior year: EUR 99 k). Of the exchange losses, EUR 322 k (prior year: EUR 75 k) has already been realized.

The drop in travel expenses and marketing costs is directly linked to the reduced opportunities for travel and for events on account of COVID-19.

5. Financial and interest result

The financial and interest result breaks down as follows:

in EUR k	2020	2019
Income from equity investments		
Dividend CENIT (Schweiz) AG, Switzerland	924	884
Profit distribution CENIT SRL, Romania	270	318
Profit distribution CENIT North America Inc., USA	0	1,066
Profit distribution Coristo GmbH, Mannheim	204	204
Total	**1,398**	**2,472**

in EUR k	2020	2019
Other interest and similar income		
Interest on loans granted to subsidiary	119	155
Total	**119**	**155**

in EUR k	2020	2019
Write-downs of financial assets		
Write-downs on the carrying amount of the equity investment in CENIT Japan	0	298
Total	**0**	**298**

in EUR k	2020	2019
Interest and similar expenses		
Guarantee commission	6	6
Interest expenses from bank balances	19	0
Interest expenses from unwinding the discount on provisions	10	9
Interest expenses for business taxes	0	2
Total	**35**	**17**

6. Income taxes

in EUR k	2020	2019
Current corporate income tax expense	414	601
Current solidarity surcharge expense	23	33
Current trade tax expense	445	639
Withholding tax	1	1
Taxes in prior years	-9	-3
Total	**873**	**1,271**

Taxes mainly include corporate income tax and the solidarity surcharge of EUR 437 k (prior year: EUR 634 k) as well as trade tax of EUR 445 k (prior year: EUR 639 k) on the taxable income for the fiscal year 2020.

7. Proposal for the appropriation of profit

The following appropriation of retained earnings will be proposed at the General Meeting of Shareholders:

in EUR k	
Net retained profit	11,065
Dividend distribution (EUR 0.47 per 8,367,758 participating no-par value shares)	3.933
Profit carryforward	**7,125**

8. Auditor’s fees

The information on auditors’ fees pursuant to Sec. 285 No. 17 HGB is provided in the consolidated financial statements of CENIT AG.

D Other notes

1. Personnel

An average of 410 (prior year: 425) members of staff and 53 (prior year: 56) executives were employed during the fiscal year. There are also 49 employees in training at CENIT AG as of the balance sheet date (prior year: 54).

2. Other financial obligations

There are other financial obligations in connection with rental agreements and leases. The resulting financial obligations are included in the following table:

in EUR k	2020	2019
Rental and lease obligations		

Due in less than 1 year	2,409	2,485
Due in 1 to 5 years	5,391	5,711
Due in more than 5 years	1,034	2,215
Total	**8,834**	**10,411**

Other financial obligations chiefly comprise the rent agreements entered into for leased office buildings of EUR 7,078 k (prior year: EUR 8,563 k) as well as vehicle leases of EUR 1,084 k (prior year: EUR 1,204 k). The extension options and price adjustment clauses customary for the industry apply.

The company cars and communications equipment were leased by means of lease agreements in order to guarantee that these are always up to date and to avoid tying up liquidity. Renting office space also avoids tying up cash and cash equivalents. These agreements result in cash outflows in future periods that are included in the above list.

3. Corporate boards

During the fiscal year, the following persons were **members of the Management Board**:

Dipl.-Ing. Kurt Bengel, Waiblingen, spokesman of the Management Board of CENIT AG,
Responsible for: operations, investor relations and marketing.

Dipl.-Wirt.-Inf. Matthias Schmidt, Bad Liebenzell, member of the Management Board of CENIT AG until 31 December 2020,
Responsible for: finance, organization and personnel.

Dr. rer. pol. Dipl.-Kfm. Markus A. Wesel, Schäftlarn, member of the Management Board of CENIT AG since 1 July 2020,
Responsible since 1 January 2021 for: finance, organization and personnel.

The following members make up the **Supervisory Board**:

- Prof. Dr. Oliver Riedel (university professor), Pfaffenhofen a.d. Ilm, chairman since 18 May 2018
- Dipl.-Kfm. Stephan Gier (independent German public auditor, tax advisor), Stuttgart, deputy chairman since 18 May 2018
- Dipl.-Ing. Ricardo Malta (Service Manager CENIT Aktiengesellschaft, Stuttgart), Munich, employee representative since 18 May 2018

Prof. Dr. Oliver Riedel is also a member of the supervisory board of PROSTEP AG Darmstadt. All other members of the Supervisory Board did not belong to any other supervisory boards or control bodies during the reporting year.

Disclosures on the remuneration of the Management Board and the Supervisory Board of CENIT AG are presented individually in the remuneration report. The remuneration report is part of the combined management report for CENIT AG and the Group.

The remuneration system for the Management Board of CENIT AG comprises a performance-based component and a component that is independent of performance. The performance-based part is based on the Group's earnings for the year (EBIT) in accordance with IFRS. Total remuneration of the Management Board amounts to EUR 1.077 k in the reporting year (prior year: EUR 826 k). Of this figure, EUR 669 k relates to fixed components while EUR 408 k relates to performance-based components.

Pursuant to the articles of incorporation and bylaws, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives a fixed amount of EUR 20,000 payable after the end of the fiscal year. The chairperson of the Supervisory Board receives twice that amount, while the deputy chairperson receives one and a half times that amount. In accordance with Article 14 of the articles of incorporation and bylaws, total compensation paid to the Supervisory Board was EUR 90 k in 2020 in line with the prior year.

The D&O insurance was continued in 2020 for Management Board members and Supervisory Board members as well as other executives. The premiums of EUR 40 k (prior year: EUR 40 k) were borne by the Company.

The Management Board held 7,300 shares as of the balance sheet date (0.09%). The Supervisory Board members held 180 shares.

4. Changes at shareholder level

During the fiscal year 2011, several notices pursuant to Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] were received from LBBW Asset Management Investmentgesellschaft mbH. The last notice was dated 15 November 2011 and was as follows: Pursuant to Sec. 21 (1) WpHG, we inform you that the share of voting rights of LBBW Asset Management Investmentgesellschaft mbH in CENIT AG, Industriestraße, 70565 Stuttgart, Germany, across all of our investment funds fell below the threshold of 5% on 11 November 2011 and, at 385,421 shares, amounted to 4.61% on that date in relation to the total amount of voting rights (8,367,758). Of these voting rights, 3.67% (307,421 voting rights) are attributed to us pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG. Voting rights are allocated to us by the following shareholders, whose voting rights in CENIT AG amount to 3% or more: Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte.

In a letter dated 29 October 2015, MainFirst SICAV, Senningerberg, Luxembourg, announced that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5%: MainFirst SICAV, Senningerberg, Luxembourg, informed us on 29 October 2015 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5% of voting rights on 28 October 2015 and amounted to 5.05% on that date (corresponding to 422,792 voting rights).

During the fiscal year 2020, several notices pursuant to Sec. 40 (1) WpHG were received from LOYS Investment S.A., with the last notice dated 17 September 2020 and reading as follows: LOYS Investment S.A., Munsbach, Luxembourg, informed us pursuant to Sec. 40 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 10% of voting rights on 10 September 2020 and amounted to 5.07% on that date (corresponding to 424,065 voting rights). 1.57% thereof (corresponding to 131,336 voting rights) are attributed to LOYS Sicav, Munsbach, Luxembourg.

During the fiscal year 2020, several notices pursuant to Sec. 40 (1) WpHG were received from PRIMEPULSE SE. The last notice was dated 4 November 2020 and was as follows: PRIMEPULSE SE, Munich, Germany, informed us pursuant to Sec. 40 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 15% on 3 November 2020 and amounted to 15.01% on that date (corresponding to 1,256,388 voting rights).

During the fiscal year 2020, several notices pursuant to Sec. 40 (1) WpHG were received from Allianz Global Investors GmbH. The last notice was dated 25 November 2020 and was as follows: Allianz Global Investors GmbH, Frankfurt am Main, Germany, informed us pursuant to Sec. 40 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 3% of voting rights on 24 November 2020 and amounted to 2.97% on that date (corresponding to 248,286 voting rights).

E Group relationships

In compliance with Sec. 315e (1) HGB, the Company prepares consolidated financial statements for the largest and smallest group of companies in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements of CENIT AG are published in the Federal Gazette.

F Subsequent events

There were no reportable subsequent events.

G Declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code

The Management Board and Supervisory Board of the Company have issued the declaration for 2020 required by Sec. 161 AktG and made it available on the Company’s homepage (http://www.cenit.com/en_EN/investor-relations/corporate-governance.html).

Stuttgart, 26 March 2021

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel
Spokesman, Management Board

Dr. Markus Wesel
Member, Management Board

	CENIT Aktiengesellschaft, Stuttgart STATEMENT OF CHANGES IN FIXED ASSETS					
	Acquisition and production cost					
in EUR	**As of 1 Jan. 2020**	**Additions**	**Additions from merger**	**Reclassification**	**Disposals**	**As of 31 Dec. 2020**
I. Intangible assets						
Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets	5,851,744.27	387,849.09	0.00	0.00	45,602.37	6,193,990.99
Total	**5,851,744.27**	**387,849.09**	**0.00**	**0.00**	**45,602.37**	**6,193,990.99**
II. Property, plant and equipment						
1. Land and buildings, including buildings on third-party land	1,810,419.02	0.00	0.00	0.00	0.00	1,810,419.02
2. Plant and machinery	6,589,634.80	231,938.51	0.00	0.00	33,403.17	6,788,170.14
3. Other equipment, furniture and fixtures	388,654.54	46,510.79	21,630.41	0.00	45,664.79	411,130.95
Total	**8,788,708.36**	**278,449.30**	**21,630.41**	**0.00**	**79,067.96**	**9,009,720.11**
III. Financial assets						
1. Shares in affiliates	9,008,660.54	637,964.44	-358,307.44	115,000.00	0.00	9,403,317.54
2. Equity investments	2,552,554.25	0.00	0.00	0.00	0.00	2,552,554.25
3. Prepayments on equity investments	115,000.00	0.00	0.00	-115,000.00	0.00	0.00
4. Loans to affiliates	3,330,000.00	0.00	0.00	0.00	1,000,000.00	2,330,000.00
Total	**15,006,214.79**	**637,964.44**	**-358,307.44**	**0.00**	**1,000,000.00**	**14,285,871.79**
Fixed assets - total -	**29,646,667.42**	**1,304,262.83**	**-336,677.03**	**0.00**	**1,124,670.33**	**29,489,582.89**

Accumulated amortization, depreciation and write-downs					Net book values	
As of 1 Jan. 2020	Additions	Additions from merger	Disposals	As of 31 Dec. 2020	As of 31 Dec. 2020	As of 31 Dec. 2019
4,671,842.48	654,561.62	0.00	45,596.25	5,280,807.85	913,183.14	1,179,901.79
4,671,842.48	**654,561.62**	**0.00**	**45,596.25**	**5,280,807.85**	**913,183.14**	**1,179,901.79**
1,289,306.36	62,485.78	0.00	0.00	1,351,792.14	458,626.88	521,112.66
5,698,536.91	490,936.24	0.00	31,244.52	6,158,228.63	629,941.51	891,097.89
354,508.64	64,494.94	14,846.20	45,659.69	388,190.09	22,940.86	34,145.90
7,342,351.91	**617,916.96**	**14,846.20**	**76,904.21**	**7,898,210.86**	**1,111,509.25**	**1,446,356.45**
297,671.16	0.00	0.00	0.00	297,671.16	9,105,646.38	8,710,989.38
0.00	0.00	0.00	0.00	0.00	2,552,554.25	2,552,554.25
0.00	0.00	0.00	0.00	0.00	0.00	115,000.00
0.00	0.00	0.00	0.00	0.00	2,330,000.00	3,330,000.00
297,671.16	**0.00**	**0.00**	**0.00**	**297,671.16**	**13,988,200.63**	**14,708,543.63**
12,311,865.55	**1,272,478.58**	**14,846.20**	**122,500.46**	**13,476,689.87**	**16,012,893.02**	**17,334,801.87**

Independent auditor's report

To CENIT Aktiengesellschaft, Stuttgart

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of CENIT Aktiengesellschaft, Stuttgart, which comprise the balance sheet as at 31 December 2020, the income statement for the fiscal year from 1 January to 31 December 2020 and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the report on the position of the Company and the Group (referred to subsequently as the "management report") of CENIT Aktiengesellschaft for the fiscal year from 1 January to 31 December 2020.

In accordance with the German legal requirements, we have not audited the content of the components of the management report listed in the section on "Other information" in our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the components of the management report listed in the section on "Other information".

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as the "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Timing of revenue recognition

For the recognition and measurement policies used, we refer to section B of the notes to the financial statements. The disclosures on revenue are included in II. 1. of the notes to the financial statements.

RISK FOR THE FINANCIAL STATEMENTS

The annual financial statements for the fiscal year 2020 of CENIT Aktiengesellschaft report revenue of EUR 85.6 million. CENIT Aktiengesellschaft primarily generates revenue from the licensing of software, software updates, the provision of IT services as well as the provision of consulting services for the planning, implementation and optimization of business and IT processes.

CENIT Aktiengesellschaft recognizes revenue once the risk associated with the products sold has been transferred to the customer or the service has been provided. Revenue from the licensing of software is generally recognized at a point in time as soon as the customer has obtained control of the software; in cases where the license granted gives the customer to right to access the most recently available software version during the contractual term, revenue from the licensing is recognized over time. Revenue from software updates is recognized over time, over the agreed contractual term. Revenue from services is generally recognized over time in accordance with the hours worked or for agreed-upon lump sums. If agreed performance is regulated by a contract for work, the revenue is recognized at a point in time after contractual performance has been accepted by the customer. In the case of multiple element agreements, the realization criteria are applied separately for each component.

Due to the large number of product types, the importance of multiple element agreements and the resulting revenue recognition, there is a risk for the annual financial statements that contractual performance is identified or classified incorrectly and that revenue is not recognized in the correct period as of the end of the reporting period.

AUDIT APPROACH

To determine whether revenue recognition has taken place in the correct period, we assessed the design, implementation and effectiveness of the internal controls in terms of identification and classification of the contractual performance and revenue realization for that performance; this includes checking performance and acceptance of performance and the billing as well as the underlying revenue recognition.

We also assessed whether revenue was recognized in the correct period in the area of licensing of software as well as for contracts for work by comparing the invoices with the corresponding orders, contracts and acceptance records. This was based on revenue recognized in December 2020 that was selected using an actuarial method. Using the credit notes issued in January and February 2021, we also verified whether these indicate that revenue has been recognized incorrectly.

In addition, for the trade receivables not yet settled as of the end of the reporting period, we obtained balance confirmations selected using an actuarial method. For outstanding replies from the balance confirmation work, we carried out alternative audit procedures by reconciling revenue among other things with the underlying orders, contracts, invoices, delivery notes and acceptance records and/or proof of hours as well as the payments received.

OUR FINDINGS

The procedure at CENIT Aktiengesellschaft for identifying and classifying contractual performance as well as the matching of revenue to the correct period derived from that procedure is correct.

Other information

The executive directors and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the management report, the content of which has not been audited:

– the separate combined non-financial statement of the Company and the Group referred to in the management report, which is expected to be provided to us after the date of this auditor’s report, and

– the combined corporate governance statement of the Company and the Group referred to in the management report.

The other information also comprises the other parts of the annual report expected to be provided to us after this date.

The other information does not comprise the annual financial statements, the management report disclosures with audited content or our corresponding auditor’s report.

Our opinions on the annual financial statements and on the management report do not cover other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

– is materially inconsistent with the annual financial statements, the management report disclosures with audited content or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal controls as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor’s responsibility for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance report in accordance with Sec. 317 (3b) HGB of the electronic reproduction of the annual financial statements and the management report prepared for publication purposes

We have performed an assurance engagement in accordance with Sec. 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection "ESEF240321cenit_188114.zip" (SHA256-hash value: 7de90121c3d481a15430ca6f6a8deb6428691fa5564083f825de3bb2ee39b1b0) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the fiscal year from 1 January to 31 December 2020 contained in the "Report on the audit of the annual financial statements and of the management report" above.

We conducted our assessment of the reproduction of the annual financial statements and the management report contained in the above-mentioned file in accordance with Sec. 317 (3b) HGB and the Exposure Draft on the IDW Assurance Standard: Assurance in accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB.

In addition, the executive directors of the Company are responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and the audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

Further information pursuant to Art. 10 of the EU audit regulation

We were elected as auditor by the Annual General Meeting of Shareholders on 2 July 2020. We were engaged by the Supervisory Board on 23 November 2020. We have been the auditor of CENIT Aktiengesellschaft without interruption since fiscal year 2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jack Cheung.

Stuttgart, 26 March 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Cheung	Rupperti
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement in the Annual Financial Report

(Financial Report)

After considering comments received, the German Accounting Standards Board (GASB) agreed at its 114th meeting on the following wording of the responsibility statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 2 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the financial statements:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the corporation, and the management report includes a fair review of the development and performance of the business and the position of the corporation, together with a description of the principal opportunities and risks associated with the expected development of the corporation."

The Management Board

Kurt Bengel
Spokesman, Management Board

Dr. Markus Wesel
Member, Management Board

Glossary

CATIA	PLM solution by Dassault Systèmes With the aid of CATIA, users can manage the entire range of industrial design processes, from marketing and the original concept to product design, analysis and assembly, and finally to maintenance.
Digital factory	Three-dimensional graphic simulation of a factory by way of digitally integrated systems (e.g. DELMIA).
Digital manufacturing	Planning and simulation of manufacturing processes via networking of digitally integrated systems (e.g. DELMIA). Developed for purposes of optimizing production costs, ergonomics, assembly line arrangement, productivity, and scheduling.
ECM	Abbreviation for Enterprise Content Management ECM permits an enterprise to not only store all relevant information, but to also manage and reuse it. This reduces down-times and simultaneously increases the quality of products and services.
EIM	Abbreviation for Enterprise Information Management EIM extends to all solutions and consulting services that generate structured and unstructured data, both within the enterprise and externally. EIM ensures high availability and security of data and optimizes the exchange of data between users. EIM is a holistic data management concept that ensures a consistent, transparent and reliable information structure. It encompasses all current and previous solutions and consulting services related to Enterprise Content Management, Groupware, Infrastructure Management und Application Management Outsourcing, Systems Management, Hotline Service, and remote maintenance of hard- and software.
PLM	Abbreviation for Product Lifecycle Management A business strategy which assists enterprises in exchanging product data, applying uniform processes, and making use of the enterprise's product development knowledge, from initial concept to final redundancy, across the entire expanded enterprise. Thanks to the integration of all involved parties (enterprise divisions, business partners, suppliers, OEMs and customers), PLM offers the entire network the means to operate as a single entity and to jointly conceive, develop, build and service products.

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